Mining and the Macdonald Commission: The State of the Industry in the Mid-1980s

DAVID YUDELMAN

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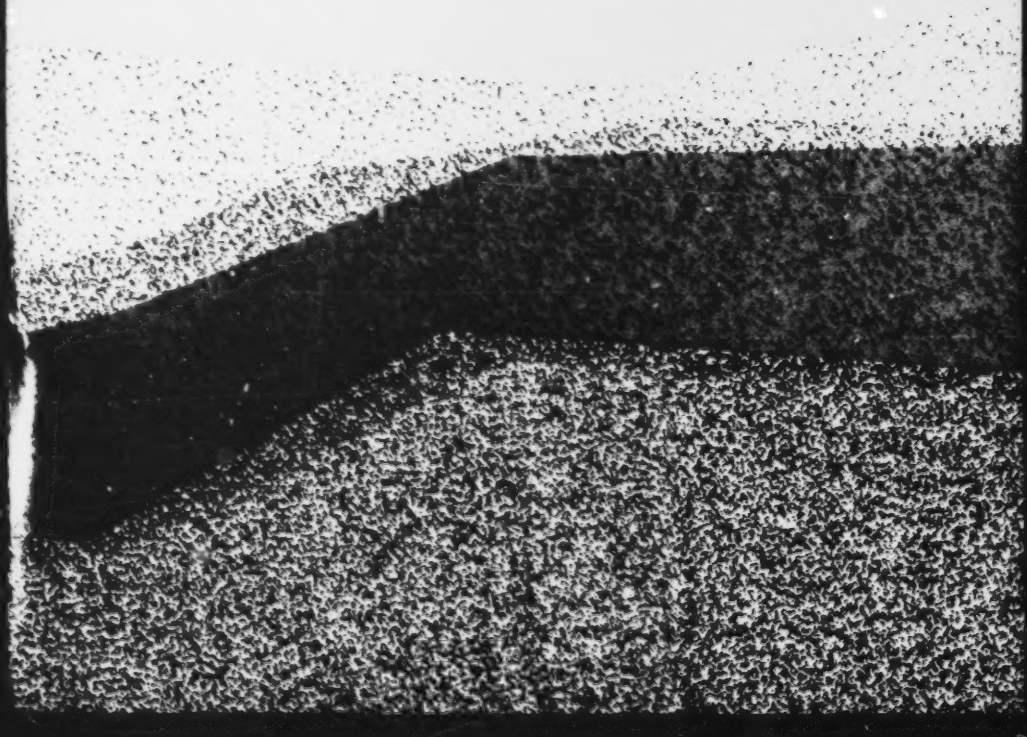

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PREFACE

The Royal Commission on Economic Union and Development Prospects for Canada provided an opportunity for a wide cross-section of Canadian groups and individuals to set forth their views on the Canadian economy and the economic relationships among various sectors and regions of Canada. This study examines the presentations and testimony of one industrial sector, the Canadian mining industry, to the commission, and the impact of this consultation process on the commission's findings. It provides insight into both the industry's view of itself and the process of information-gathering and analysis that informs government policy-making.

The CRS Working Paper series is offered to those interested in Canadian mineral policy and mineral economics, in the hopes that it will both inform them and stimulate them to further investigations in this field. Feedback and discussion is welcomed by the author and by the Centre.

The views expressed are those of the author, and not necessarily the views of the Centre or its sponsors.

Margot Wojciechowski
Centre for Resources Studies

FOREWORD

The Report of the Royal Commission on the Economic Union and Development Prospects for Canada (the Macdonald Commission) is written and printed, and is due to be published in September 1985. This study was, therefore, written without consulting the Report, and without seeing the vast bulk of the background research generated by, and orchestrated within, the Commission.

Although the Report and the background research is not yet available, the submissions to the Commission have been public for some time. This study deals in detail with the two rounds of submissions to the Commission in 1983-84 related to mining. While it comments on the process of collecting and using submissions by the Commission generally, its objective is to analyze specifically how the mining industry sees itself and its future, and what it wants government to do about it. It also analyzes how effective these submissions appear to have been, and how effective the Commission was in eliciting from the assembled expertise of the mining industry the kind of data it needed to suggest intelligent long-term economic strategies for the industry.

While the study is fairly narrowly focused on mining, it is hoped that it will also be of interest to those concerned with broader issues such as the role and limitations of special interest submissions to governments; the role and limitations of Royal Commissions in formulating long-term economic strategy; the problems of establishing Canada's comparative advantage and its relevance to sectoral economic policies; and business-government relations generally.

I would like to thank Karen Jackson and Lesley Wake, staff members of the Commission, for their help in guiding me through the voluminous submissions and transcripts.

David Yudelman
August, 1985

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SUMMARY

The Royal Commission on the Economic Union and Development Prospects for Canada (the Macdonald Commission) gathered an enormous amount of material in 1983 and 1984, including 1516 submissions from various groups and the public and 19,791 transcript pages of hearings. Unfortunately, however, the bulk of these were concentrated in the first round, before the Commission itself had focused on the issues of major concern to it. Neither the first nor even the second round of hearings received rigorous direction from the Commission, much diminishing their value as a resource for the Commissioners in the final drafting of their Report.

The submissions concerning the mining industry were no exception. This lack of focus imposes a limitation on the impact they are likely to have on the final report; but they are nevertheless of interest for a number of reasons. The submissions provide a guide to the thinking of Canadians in general about the mining industry and issues affecting it, a vivid up-to-date picture of the mining industry's view of itself, and an illuminating perspective on the tensions and contradictions within the industry on the issue of government economic policy-making.

Mining, and resources generally, were seen by some as a potential engine of growth for the Canadian economy, by others as an outdated, smokestack industry. The resolution of this issue of mining's role in the Canadian economy was clearly central both to the industry and to the Commission. Neither the submissions nor the questions of the Commissioners in the hearings were successful, however, in delineating any clear role or direction for mining in this larger context. The issue of comparative advantage was dealt with only superficially, impoverishing the arguments of both those proposing and those opposing a special role for mining, and leaving the resolution of the issue as remote as ever.

The industry effectively outlined the difficulties it faces in a competitive world environment and the measures it is taking to adjust to the structural changes being imposed on it. But it was less effective in establishing why future economic policy should be geared to actively supporting its health. Besides the failure to establish its comparative advantage, it never succeeded in resolving a persistent tension between its requests for special treatment and 'partnership' on the one hand, and its distaste for government intervention, on the other hand.

The divisions within the industry and its inability to speak with one voice led to a narrow, parochial focus. They also led to undifferentiated, at times contradictory, measures being advocated, usually without any clear order of priority. It is to be expected that most, if not all, submissions to a Royal Commission will be self-serving, and ought to be. Nevertheless the industry failed, with some exceptions, to show an overlapping or congruence of its needs with the needs of the Canadian economy as a whole.

The shortcomings in the industry presentation impoverished both its own case and the quality of data available to the Commission to make recommendations on the future role of mining in the Canadian economy. The Commission itself must share some of the blame for this, given its overall failure to conceptualize, organize and intellectually direct the massive inflow of information it generated.

RESUME

La Commission royale sur l'union économique et les perspectives de développement du Canada (la Commission Macdonald) a recueilli un nombre énorme de documents en 1983 et 1984, notamment 1516 présentations de divers groupes et du public ainsi que 19,791 pages de transcriptions d'audiences. Malheureusement c'est pendant la première série d'audiences que furent recueillis la plupart de ces documents, alors que la Commission elle-même n'avait pas encore déterminé quels étaient les problèmes principaux sur lesquels elle devait se concentrer. La Commission n'a donné de direction rigoureuse ni à la première ni même à la deuième série d'audiences amoindrissant ainsi leur utilité en tant que ressources pour les membres de la Commission au moment de la rédaction du rapport final.

Les présentations relatives à l'industrie minière ne firent pas exception. Ce manque de rigueur limite l'impact qu'elles pourront avoir sur le rapport final. Elles ne sont toutefois pas dénuées d'intérêt, et ce pour plus d'une raison. Elles montrent comment les Canadiens en général perçoivent l'industrie minière et les problèmes s'y rapportant, elles révèlent de façon frappante et précise l'image que l'industrie minière a d'elle-même, et éclairent sur les tensions et les contradictions existant au sein de l'industrie en ce qui concerne l'elaboration de la politique économique du gouvernment.

Certains perçoivent l'industrie minière et les ressources en général comme un potentiel de croissance économique pour le Canada alors que d'autres considèrent l'industrie comme périmée et polluante. Il est clair qu'il importe autant à la Commission qu'à l'industrie de résoudre le problème que pose le rôle de l'industrie minière dans l'économie canadienne. Ni les présentations ni les questions des membres de la Commission ne réussirent cependant à déterminer clairment le rôle ou la direction que devait prendre l'industrie minière dans ce contexte plus général. Le problème des avantages relatifs ne fut traité que superficiellement, affaiblissant les arguments à la fois de défenseurs et des adversaires d'un rôle spécial pour l'industrie minière, cette question étant donc toujours aussi loin d'être résolue.

L'industrie a donné un excellent aperçu des difficultés qu'elle rencontrait dans un environnement mondial concurrentiel et des mesures qu'elle prenait pour s'adapter aux changements de structure qu'on lui imposait. Mais elle a démontré de façon beacoup moins convaincante pourquoi la

future politique économique devrait la soutenir activement et l'aider à rester saine. Non seulement elle n'est pas parvenue à en démontrer l'avantage comparatif, mais elle n'a pas réussi non plus à résoudre la contradiction existant toujours entre son désir de recevoir un traitement spécial d'une part et son aversion pour l'intervention gouvernementale d'autre part.

Parce que l'industrie est divisée et incapable de parler d'une voix unie, les présentations témoignent d'étroitesse d'esprit, chaque groupe defendant surtout ses propres intérêts. C'est pour la même raison que le mesures préconisés semblent souvent non différenciées, parfois contradictoires, et manquent d'ordre de priorité. Il est normal que la plupart des présentations éventuelles à une commission royale, cherchent à défendre leurs propres intérêts. A quelques exceptions près, l'industrie n'a cependant pas réussi à montrer que ses besoins étaient conformes et s'harmonisaient à ceux de l'économie canadienne dans son ensemble.

Les imperfections de la présentations de l'industrie ont affaibli sa propre cause tout en nuisant à la qualité des données fournies à la Commission pour lui permettre de faire ses recommandations sur le rôle futur de l'industrie minière dans l'économie canadienne. La Commission elle-même est partiellement responsable de cela, étant donné qu'elle n'est arrivée dans l'ensemble ni à conceptualiser, ni à organiser, ni à diriger intellectuellement, cette énorme masse d'information qu'elle a engendrée.

1. BACKGROUND

The 1982 Royal Commission on the Economic Union and Development Prospects for Canada,[1] the 'Macdonald Commission', structured its research and hearings to avoid analyzing the economy in terms of industrial sectors, such as mining. Nevertheless, it has made an exception with the inclusion in its final report of a chapter specifically on the resources sector.

The possible reasons for making an exception are of some interest and relevance to this study. In November 1981 the Trudeau federal government published an economic development strategy with its Budget. Entitled Economic Development of Canada in the 1980s, it was a major statement of policy (or, at least, of policy intentions), the result of considerable background staff work and of intensive consultation at the highest levels of the federal Cabinet. Essentially the document argued that Canada's comparative advantage in the world economy lay in the area of natural resources. Development of these natural resources, especially - but not exclusively - via megaprojects, would provide an engine of growth for the entire economy.

Only a few months later, the resource industries plunged into their worst decline since the Great Depression and several megaprojects were cancelled. In this situation, there was clearly no prospect of implementation of a resource-led economic growth policy. On the other hand, most of the other sectors of the economy were in trouble at the same time, and did not provide a feasible alternative. Given this, the Trudeau government continued to espouse, though not act upon, the strategy of Economic Development for Canada in the 1980s until reopening the issue with its appointment of the Macdonald Commission on 5 November, 1982 to reconsider the entire issue of economic growth policy. To some extent the Commission should be seen as a diversionary tactic of a federal government which lacked ideas and strategy to deal with the serious economic problems than confronting it. Its chairman, moreover, had openly declared aspirations to be the future leader of the Liberal Party.

In April 1984, after the first round of submissions had been completed, the Macdonald Commission produced its

1. The Royal Commission was appointed on November 5, 1982, under the chairmanship of Donald Macdonald. Its final report is now expected in September 1985.

69-page interim report, Challenges and Choices, which explicitly refrained from setting out any recommendations and was widely criticized as being irrelevant.[2] The Commission chairman, the Honourable Donald Macdonald, did however make some substantive comments on the resource industries. He told the press, in elaborating on the interim report, that Canadians must end their dependence on natural resource exports or face a drastic fall in their standard of living.[3] 'We heard quite a few myths and cliches about the Canadian economy', he was quoted as saying, referring to the testimony before the commission. One of those myths, he said, was that Canada's natural resources - such as minerals and timber - were inexhaustible and a possible creator of enough jobs to end the current massive unemployment.

He was also quoted as saying that, unless the country gets into new areas of manufacturing and tries to reach broader markets, Canadians will have to put up with being poorer. He concluded by suggesting that "there's really not very much fresh that was learnt (during the four months of first round hearings).

The second round of submissions and hearings were a fraction - less than a quarter - of the total. Thus, given that they did not turn out to be radically different in quality, the implication of Macdonald's words was that the final report would not be primarily based on the submissions (see Chapter 6: Conclusion). It was also clear that he had taken an unusually strong stance against the idea of the resource industries as potential motors to pull the Canadian economy out of its trough. In fact, it seemed to some that Macdonald had gone even further, and suggested that some of the resource sectors might be "sunset industries", characterized by secular declines in resource base productivity and international competitiveness, as well as loss of comparative advantage relative to other sectors of the economy.

The mining industry responded with some considerable consternation to Macdonald's remarks. The remarks had even greater impact because Macdonald had chosen to single

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2. Royal Commission on the Economic Union and Development Prospects for Canada, 'Challenges and Choices', Minister of Supply and Services Canada, Cat No 21-1983/1-81-1E; Jeffrey Simpson, 'An Irrelevant Report', Globe and Mail, 17 April 1984.
3. 'No future for Canada as a hewer of wood, Macdonald concludes', Globe and Mail, 17 April 1984.

out the resources sector. The industry's consternation was heightened by the fact that the Commissioners had put it to various people during the course of the hearings that mining might be a sunset industry. For example:

> *Commissioner William Hamilton:* Short of deposits being discovered in the Northwest Territories or elsewhere of a very, very major nature, the mining output of Canada is going to gradually diminish as a factor in our total economy. Forestry, on the other had, while it may not expand, will probably hold its own a little better; is that a conclusion we can reach?[4]

or

> *Commissioner Thomas Shoyama:* I found your submission particularly useful in its very sober appraisal of the situation. As you have noted, there seem to be at least three external circumstances which have been responsible for a rather depressed situation and continue to depress the outlook - increasing sources of competitive supply, marketing practice and, to some degree, loss of shall we say the bounty of nature within Canada itself. All of this could be described as the attributes of a sunset industry, of the kind that we seem to be facing in a number of other areas in the Canadian economy. All other sectors basically face very similar internal problems, but some of them nevertheless do seem to be flourishing. I wonder in your heart of hearts (sic) you worry about the mining industry of Canada now being a sunset industry unable to carry what one might call the reasonably legitimate costs of labour, of occupational health and safety, of environmental protection or of yielding any kind of resource rents for government taxes. Have we reached that stage in Canada? Is that the prospect over the next two or three decades?[5]

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4. Macdonald Commission, Hearings, Saskatoon, Saskatchewan, 22 November 1983, P.10122.
5. Macdonald Commission, Hearings, Hull, Quebec, 12 December 1983, pp. 13900-01.

The answer given in both cases was negative; but as the industry spokesmen had already drawn a picture of a mining industry in extreme distress, it was difficult to argue that the mining industry really has a promising future. Some members of the research staff on the Commission felt that the mining industry had "shot itself in the foot" by painting such a bleak picture of its situation in its efforts to emphasize its need for help and extra nurturing from governments.[6] When special pleading becomes too blatant it can carry a long-run cost. It can cast doubt over the continued existence of an industry and allow government to begin to switch development resources elsewhere.

The Mining Association of Canada, representing most of the larger and medium-sized Canadian producers, moved swiftly after Macdonald's public statement in April 1984 and produced, the following month, a 15-page statement which argued in some detail that mining was not a 'sunset industry', that the quality of its ore base showed no signs of decline and that it was making very significant improvements in productivity performance and cost reduction.[7] The statement referred to "the apparent unease in some government policy circles over the emphasis to be placed on resource-based growth", and warned that 'it would be a serious tactical error if fascination with high technology were to weaken government's commitment to maintain Canada's position as a leading international supplier of mineral and mineral products'. It concluded by stating surprisingly boldly - for an industry that has been notable in the past for its relative self-sufficiency and resistance to government intervention - that a concerted effort by both the government and the producers was crucial:

> In effect, government and industry must become partners in an attempt to raise national productivity. In the altered international context in which the industry must function, and bearing in mind that 80 percent of Canada's mineral production is exported, nothing short of such a co-operative effort will garner for Canadians the full benefits inherent in Canada's potential to continue to be one of the world's largest and most competitive international mineral suppliers.[8]

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6. Personal communication to the author, Ottawa, 17 May 1984.
7. Mining Association of Canada, 'The Minerals Industry and Canadian Economic Growth', (Ottawa, May 1984).
8. Ibid., pp. 1,2.

By the time, therefore, that the Commission staff began to write the final report, the idea of the mining industry as a motor, as a potential leader in an economic growth strategy, was not being seriously advanced. Nor, on the other hand, was the idea that it was a "sunset industry" in the sense of an industry whose days were numbered. Partly because of the difficulty of describing what the role of mining and the other resource industries was, and should be, the Commission staff broke its rule and included a sectoral chapter on resources. An additional factor might have been the need to make fine distinctions within the various resource sectors: where, for example, potash or copper should be placed on the spectrum stretching from "sunset" to "motor" industry. The background of the Commissioners was also important in this connection. It included, among its 13 members, a former federal Minister and Deputy Minister of Energy, Mines and Resources (Donald Macdonald and Thomas Shoyama), a former Saskatchewan Minister of Energy and Resources (John Messer), and the chairman of a large resource company (Daryl 'Doc' Seaman). They - and others - were accessible, though not always amenable, to industry representations.

The submissions, then, and the process of debating them publicly, had the partial effect of pushing the Commission somewhat reluctantly into looking explicitly at the potential role of resources in Canadian economic development. This is not to suggest that the submissions themselves played a major part in determining exactly what the final report had to say about the topic. Off-the-record comments, and the sheer logistics and volume of the submissions (see Chapter 6), would in fact tend to suggest otherwise. The Commission's own research was probably of far more influence in shaping the report, not only on the topic of resources but generally, across the entire spectrum of the topics considered.

The study below, then, analyzes both rounds of submissions made about the mining industry, not so much to suggest that these determined significantly the report's conclusions on the industry, but rather to allow readers of the final report to ask to what extent the submissions had an impact on the report. Even more important, it is hoped that the cataloguing and analysis of submissions:

- give an unusually detailed and disparate guide to the thinking of various Canadian groups about the mining industry;
- provide a similar guide to the mining companies' view of themselves; and

- give a useful picture of general thinking on issues which affect the industry.

Before going into detail about the specific issues addressed by specific submissions, it would be as well to put the submissions on the mining industry into a broader context.

The Macdonald Commission received a total of 1514 submissions. It categorized these submissions first of all by nine major organization types, subdivided into more specfic codings: the largest category of submissions by far came from individuals, the second largest from trade associations. If one analyzes the submissions quantitatively from the point of view of the interests represented, business predominatèd, as it had in previous Royal Commissions. The ratio of business to other submissions has narrowed, but not the absolute gap.

Table 1

SUBMISSIONS TO THREE ROYAL COMMISSIONS ON THE CANADIAN ECONOMY: 1937, 1957 and 1985

	Rowell-Sirois[a] 1937	Gordon[b] 1957	Macdonald[c] 1985
Business associations and companies	67	202	306
Professional associations	26	10	66
Labour	2	17	65
Federal Government	24	3	46
Provincial and territorial governments	118	20	45
Municipal and regional organizations	45	23	73

Sources: Macdonald Commission archives; Hugh G. Thorburn, "The Limits of Pluralism: The Canadian Example in the Field of Economic Policy-making", presented to the Conference on the Limits of Pluralism, University of Bielefeld, September 3-5, 1984, p. 9.

a The Royal Commission on Dominion-Provincial Relations
b The Royal Commission on Canada's Economic Prospects
c The Royal Commission on the Economic Union and Development Prospects for Canada

An important change from previous Royal Commissions on the economy, which is not reflected in the above table, was the large number of representations from previous relatively silent groups such as women, native peoples and voluntary groups. The change is merely noted here, as it is outside the scope of this study.

More important than categorizing submissions according to their origin, the Macdonald Commission also attempted to analyze their content and subject matter. It did this by breaking down into categories the areas it regarded as important, worthy of study and part of its mandate. The major categories were:

- the Canadian economy;
- sectors of the economy;
- commerce, finance and public revenue;
- government and politics;
- international trade and foreign policy;
- law and the constitution;
- and Canadian society, social policy and conditions.

These broad categories were in turn sub-divided into 281 sub-categories (see appendix 1). Among these categories were the various sectors of the economy, including mining. Neither the Commission hearings nor its research was initially focused on sectors per se, and it should be pointed out that the sectors detailed in the table below are only 12 of 281 categories. On the other hand, the figures are limited to those submissions which focus in detail on the specific sectors. Thus, although mining and other sectoral submissions were only a fraction of the total, the submissions referred to here are those which tend to have a sectoral focus, and exclude numerous submissions which deal with sectors in a more tangential way.

There were 36 submissions which dealt with mining in significant detail, of which 42 percent came from the private sector, 19 percent from federal and provincial governments, 17 percent from labour groups, 8 percent from miscellaneous groups, 17 percent from labour, and 14 percent from individuals. The breakdown is as follows:

- Private Sector	
- companies	5
- associations	9
- consultants	1
- total	15
- Governments	
- municipal	3
- territorial	2
- regional econ dev.	1
- crown corporations	1
- total	7

- Labour groups	
- CSN	3
- CLC	2
- CFL	1
- total	6
- Miscellaneous Groups	
- political	2
- private research	1
- total	3
- Individuals	5
- Overall Total	36

(Source: Macdonald Commission Archives. For complete list of mining-focused submissions, see appendix 3.)

In addition to these, the various submissions which dealt with, but did not primarily focus on, mining will also be drawn upon in the chapters that follow.

Table 2

SECTORAL BREAKDOWN OF SUBMISSIONS TO THE MACDONALD COMMISSION

	1st Round	2nd Round	Total	As % of all Submissions
Mining	31	5	36	2.38
Energy: non-renewable	60	19	79	5.22
Energy: renewable	27	7	34	2.25
Forest products: pulp & paper	26	8	34	2.25
Fishing	13	4	17	1.12
Agriculture	64	14	78	5.15
Secondary industries	34	33	67	4.43
Heavy industry	11	3	14	0.92
Textiles & footwear	5	1	6	0.40
Construction	10	3	13	0.86
Automobiles	4	1	5	0.33
Tertiary industries	6	3	9	0.59
Total submissions	1164	352	1516	

Source: Macdonald Commission archives.

2. GOVERNMENT INTERVENTION: UNDESIRED

Government intervention in the economy was one of the major topics dealt with by submissions to the Macdonald Commission as a whole. A total of 289 submissions focused explicitly on this topic, and countless others did so tangentially or implicitly. A content analysis of 124 of these submissions has found that 61 adopted a free market stance, advocating that government's role be limited to that of a facilitator, and another 41 stated a clear preference for the private sector, while recognizing some additional role for governments, for example in the protection of minorities. Only 22, of which eight were labour organizations, supported a really significant role for government.[1]

Although these figures suggest a sturdy Canadian independence and self-reliance in economic matters, even a cursory examination of the submissions makes it plain that the major theme of the submissions overall focused on what government could and should do for various groups. The paradox is more apparent than real, and revolves around an unresolved debate as to the definition of desirable and undesirable government intervention.

This debate is not a new one in the mining sector,[2] and the submissions to the Macdonald Commission deal with government intervention in the mining industry at some length. While intervention in the abstract is seen by a large majority of respondents as undesirable, specific forms of intervention aiding particular sectors of the industry are not seen as undesirable, and are in fact sought out with a great deal of persistence and passion. It is probably most convenient, then, to deal with what is regarded as "undesirable" intervention in this chapter, and with "desirable" intervention in a separate chapter.

Undesirable intervention, or government "interference" was an almost obsessive issue in the mining industry as recently as 1982, when the policy consultation process de-

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1. Hugh G. Thorburn, 'Group Representation in the Federal State: The Relationships between Canadian Governments and Interest Groups', prepared for the Macdonald Commission (Kingston, September 1984), appendix F-1.
2. For an examination of the issue in the context of Canadian mineral policy, see D. Yudelman, 'Canadian Mineral Policy Formulation: A Case Study of the Adversarial Process' (Centre for Resource Studies, Working Paper No. 30, Kingston, 1984), pp. 9-14.

generated to some extent into a destructive adversarial process.[3] Allan Blakeney, the former Saskatchewan premier, drew attention to the general phenomenon in addressing the Macdonald Commission, (Blakeney, p. 10559)[4], when he pointed to the fact that

> business people are talking as if governments were an unmitigated evil; I call it fatuous talk considering the people who are winners out there. No Japanese businessmen or German businessman or Swedish businessman would talk that way, or not talk that way seriously any way, because they know they are in a common endeavour to advance their economy.

In the case of the mining industry, however, there was a definite and marked change in the short period between its response to the federal publication in 1982, Mineral Policy: A Discussion Paper,[5] and its representations to the Macdonald Commission in 1983-84. Blanket denunciations of the role of government are few and far between, and a conscious decision to avoid "government-bashing" was taken among the large companies, even before the election of the Mulroney government. Some of these companies were privately critical of the way earlier industry representations had been made and explicitly suggested that the mining sector refrain from blaming others for its problems, especially governments.

This new emphasis was reflected in the representations to the Macdonald Commission, particularly by the large corporations and their major industry association, The Mining Association of Canada. In spite of a great deal of tough criticism of specific government intervention, there is little posturing and dismissal of governments as "an unmitigated evil". Even some of government's persistent critics, such as Norman Anderson, chairman of the large Vancouver-based producer, Cominco Ltd., acknowledge openly the mutual dependence of industry and government (Cominco, p. 10149):

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3. Ibid.
4. Complete citation for submission and testimony are to be found in the Bibliography of Submissions cited below.
5. Energy, Mines and Resources, Mineral Policy: A Discussion Paper, Report M81-1E (Ottawa, Supply and Services Canada, 1982).

> The relationships between industry and government are improving and I think that depression helps. I think we are kind of clutching each others' hands and I hope that never stops. I hope that when we return to normal, whatever normal is going to be next time round, we still remember that we need each other.

On the other hand, he goes on to say (p. 10150):

> government's prime role is to set the stage to provide the environment and to provide the incentive to encourage people and to generally push the country to excel and it is primarily the private sector's role to create the wealth that creates the jobs that allow us to maintain our standards of living.

In this way, the industry critics of government intervention attempted to qualify and refine their criticisms: government, they concede, has an important role. But this role should be that of facilitator, rather than economic and social planner: to create the conditions which will both encourage and not interfere with the creativity, productivity and competitiveness of the mining companies.

The distinction between facilitation and interference, between desirable and undesirable government intervention is, at least in the abstract, an elegant one. Whether it holds up in the detail, in the concrete struggles of the various parties to achieve specific goals which are at least in part necessarily self-interested, is a question which one can only attempt to answer by looking at cases. What is clear, however, is that the mining companies and their industrial association spokesmen, while more placatory than in recent years, still conveyed to the Macdonald Commission the definite message that "interference-type" intervention remained a problem. The Mining Association of Canada, for example, while giving governments credit for correcting some of their "tax excesses" of the 1970s, warned (Mining Association of Canada, Challenges and Opportunities, p. 6) that

> the overall government approach to its dealings with the industry is still influenced by the attitudes prevalent during the decade. The competitive challenges of the eighties and beyond will necessitate further adjustments.

There are a large number of areas where changes and "further adjustments" were sought in representations to the Macdonald Commission. Here it is proposed to concentrate on a few which received the major attention: environmental and foreign investment controls, procurement and further processing, regulation, crown corporations, and the crowding out of private enterprise by overextended governments.

Growth of government

The growth of government received the attention of a large number of submissions, many of which focused particularly on the "crowding out" effect this frequently has on the private sector. The Canadian Chamber of Commerce, which claims an underlying membership of 140,000 business and community leaders and incorporates more than 80 national trade, business, and professional associations, submitted a 290-page compendium of business viewpoints to the Macdonald Commission. The decline in Canadian growth rates since the early 1970s is attributed to a number of factors, international and domestic, but "misguided domestic policies" receive most of the blame (Canadian Chamber of Commerce, p. 9):

> Chief among these was the growth of government intervention in the economy, as illustrated by the fact that currently all three levels of government claim 48 percent of our gross national product .... Because of the serious impact of government intervention on our economy, the Chamber believes that the central issue Canadians face is whether Canada, as a nation, is to rely on continued and increased state intervention and regulation, or is to turn, instead, to the private sector and free market forces as the engines of growth.

In the case of mining, the Chamber expresses its satisfaction at the "growing spirit of co-operation between government and business" but says that "much remains to be done" and offers its help (p. 71).

The submission of Placer Development Limited, a large mining company, says little about mining problems per se, but focuses explicitly on the same issue, arguing (Placer Development Limited, p. 1) that

> the transfer during the past three decades of economic decision-making and initiative from the private sector to government must be reversed if the Canadian economy is to achieve renewed vitality over the long term .... The Royal Commission must place high priority on prescribing a less burdensome, more effective relationship of government to the Canadian economy.

In 1981, it said, total federal, provincial and local expenditures amounted to 42.7 percent of gross national product, compared to 26.3 percent in 1955. Over the same period, the portion of government expenditures represented by transfers to individuals and groups rose from 33.4 percent to 46.2 percent. Thus Placer expresses concern (p. 6) at "the growing size and complexity of government at all levels, which have had a depressing effect on free enterprise" and at government's ineffectiveness in setting long-term economic goals. It recommends that responsibility for economic policy be restored from the bureaucracy to committees of Parliament, and that government in Canada be "rolled back" over the long term.

Another large mining company, Falconbridge Limited, also asked for government to exercise restraint on its growth and recognize the same limits which economic necessity imposes on the private sector. We did not ask for subsidies, it argued, so why should government claim special treatment? (Falconbridge Limited, p. 2):

> ... when Falconbridge was faced with rising production costs and increased worldwide competition, we accepted our responsibility to cut costs by reducing the workforce, cutting salaries and limited many corporate programs. We did not go, cap in hand, to government for subsidies as an alternative to exercising internal restraint. By the same token, when government faces similar problems of rising costs, it too, should exercise restraint by reducing its workforce and restricting its programs; not go to the public for higher taxes and fees.

Few companies, including Falconbridge, have succeeded in avoiding a cap-in-hand posture when the scent of government subsidies (or cuts in social costs) is in the air, but Falconbridge's central point here is whether the subsidies are seen as an alternative, or a supplement, to the cutbacks. Is government's growth limited by the economic en-

vironment (as is business') or simply by the tolerance of electorates? If the latter, the question is being asked whether this is economically healthy either for the bloated governments, or the squeezed-out private sector.

Government Regulation

Regulation by government almost invariably increases the costs of the companies and, as such, is generally unpopular and an area in which there is a strong call for less government intervention. Falconbridge points out, for example (Falconbridge, p. 7-9) that a "growing array" of costs are being imposed on the mining industry by government action "in a wide variety of areas". Some of those singled out are workmen's compensation (which some want to compensate workers for injury not related to work); occupational health and safety (where the process of monitoring "hazardous" substances "has gone too far", is nonproductive and raises production costs); treatment facilities (Ontario legislation "requires mining companies to refine their minerals in Canada", though the extra costs involved could be better spent on other programs; and the environment see below).

There are criticisms of regulation other than its effect on costs: it is also criticized because it is frequently imposed in an unstable way on the mining industry (Canadian Chamber of Commerce, p. 70):

> Shifting government regulation has undermined investor confidence in the resource industries and slowed investment needed to devclop new resources and to upgrade plant facilities.

The complexity of the current regulatory environment is also attacked by the Chamber (ibid):

> We believe that productivity in the two sectors (petroleum and mining) would be immeasurably increased by the elimination of the many needless complex regulatory requirements that currently exist. It is our belief that such requirements are seriously undermining business efficiency and that the elimination of many bureaucratic procedures could be accomplished without jeopardizing the basic policy objectives of government and with immense benefits to overall productivity.

Unfortunately, however, the major examples given in the case of both regulatory instability and complexity are in the petroleum industry. Moreover, nothing concrete is said about how it is proposed to correct the situation (other than the motherhood suggestion that more stability and less complexity would be a good thing).

The Mining Association of Canada (Challenges and Opportunities, p. 12) also criticizes over-regulation for reducing "the ability of industry to innovate, experiment and adapt" and asks governments to "encourage flexible solutions to technological adjustment rather than attempting to regulate the nature or pace of change". The flexible solutions are not, however, spelled out in any detail.

Three representations did make specific suggestions on how to curb the apparently inexorable growth of regulation. Two suggested that regulation be subjected to cost-benefit analysis. Falconbridge Limited (pp. 9-10) suggested that such a procedure, when combined with a socio-economic impact analysis, would help ensure that government regulations imposed on industry are both beneficial and affordable. It pointed out that this was already "announced federal government policy regarding social regulation in the areas of health, safety and fairness" and asked it to be extended to other areas, such as environmental controls. By contrast, the Saskatchewan Mining Association (p. 9) said that its members believe that no "cost benefit" analysis should be applied to safety and health issues, but "in the area of the environment, cost effectiveness and the element of scale must play a part .... it must be made clear who eventually bears (the) cost!"

Placer Development had a different suggestion on how to cut the burden of regulation: self-policing by the companies and tax incentives from government (p. 3):

> An effort should be made to transfer responsibility for meeting certain regulatory objectives to the private sector through a system of self-policing by means of industry associations. The tax system with its incentives and penalties should be the instrument of preference for promoting certain social and economic objectives rather than the more burdensome regulatory apparatus.

The Mining Association of Canada (Challenges and Opportunities, pp. 6-7) also suggests that government regulatory requirements and procedures "increase the cost of new developments as they add enormously to the initial cost of

capital investment" and suggests that increased flexibility is imperative. Regulations, it suggests, build in cost rigidities which inhibit companies' attempts to adapt to market requirements. Increased productivity will only come from experimenting with new production technologies which require more flexibility in labour relations. Thus regulation is inappropriate in this area, especially when it is likely to slow the rate of technological innovation. The Association does not, however, lay down any guidelines as to what kind of regulation is most likely to slow technological innovation.

It is possible, however, that the importance of government regulation has been somewhat exaggerated by some in the industry. Walter J. Riva, of the British Columbia Resources Investment Corporation, which is resource-based (coal, timber and petroleum) was cross-examined by the Macdonald Commissioners after he contended that the fact that the Crown holds most of the natural resource rights in Canada has resulted in a highly regulated resource industry (British Columbia Resources Investment Corporation, pp. 8672-4). Commissioner John Messer, former Saskatchewan Minister of Energy and Resources, asked what the alternatives to regulation were:

> *Messer:* ... given the structure of Canada, the powers that the province has, the vastness of this country, and the role that the federal government has attempted to pursue in respect of development across the country . . . could it have been any other way? I mean could we be anything other than highly regulated in respect of resource development?

Somewhat surprisingly, Riva replied that it was debatable to what extent regulations impeded mining:

> *Riva:* I guess I do not feel seriously set upon because of the regulations. I do not think we are seriously hurt by this. Certainly the development of the environmental regulations placed a very real burden on the industry. I think that governments went overboard to satisfy the new environment outlook and have since backed off to some extent to make them livable. I think that the industry, disturbed and upset as we were in the beginning in trying to cope with these, has since learned to live with them and really does not feel too bad about them except in matters of time. From the mining point of view I do not think that we feel that we are hurt seriously.

What is notable, however, is that - whatever rhetorical exaggeration is contained in industry criticisms of regulation generally - the issue of the environment and environmental regulation is a vital one for some specific producers.

Environmental regulation

The Macdonald Commission does not appear to have received a large number of representations focusing on environmental controls and acid rain, and those it did receive came, not surprisingly, from the companies and groups most directly affected. Environmental groups, of course, mentioned the problem of acid rain, its dangers and the need to make the polluters (or governments) pay the costs. But their criticisms were surprisingly muted and short of detail, given the amount of publicity the issue has generated worldwide. The public debates organized by the Macdonald Commission taking in 300 participants over 15 days in five cities explicitly dealt with "Resources and the Environment" and the possibility of sharing costs, but very little was said about acid rain. The Macdonald Commission's own content analysis shows only about 10 representations which touch explicitly on the topic, though this breakdown is far from infallible and excludes, for example, the comments of Falconbridge Limited on the topic.

Falconbridge and Inco Limited, two of Canada's largest mining companies, bearing the brunt of the criticism (with Noranda and Ontario Hydro) on acid rain issues in Canada, did deal explicitly and at some length with acid rain and environmental regulation. Inco begins by conceding ("Submission", 19 October 1983, pp. 17-20) that air pollution and acid rain are important concerns of both governments and the mining industry. It argues, however, that the problem is complex, that there are no "overnight solutions", and points out that, according to the federal government's own research, nonferrous smelters such as Inco's contribute only 7 percent of North America's acid-producing emissions.

Inco has reduced sulphur dioxide emissions from its Sudbury Ontario operations from 7,000 tons per day in the early 1960s to under 2,200 tons per day. It now "contains" 70 percent of the sulphur from the ore, and Falconbridge "contains" 80 percent (which presumably means that 20-30 percent is emitted into the atmosphere). Emissions from Inco's plant in Thompson Manitoba have also been decreasing, though no figures are provided.

However, Inco has sustained a long series of financial losses since the third quarter of 1981, and simply cannot

afford to spend "hundreds of millions of dollars" on new environmental investments. Moreover, Inco disputes that, even if it could afford the investment, failure to get the USA to significantly reduce its emissions would nullify the entire project. Thus it asked that no hasty regulatory action be taken, and also that governments allow Inco and others freer rein in exporting more metal sulphide concentrates without further processing. By doing so, it argued, there would be less domestic emissions of sulphur dioxide.

Falconbridge makes a similar point in its submission (p. 9) when it argues against Ontario legislation requiring mining companies to refine their minerals in Canada. It has exemption from this requirement until 31 December 1989, but suggested that both it and Canada would be better served if it retained its Norwegian refinery and spent the money saved on other programs, including environmental improvement. It pointed out that greater public concern with environmental damage caused by mining and smelting has left it and other companies operating under what it calls with (unconscious?) irony "a haze of environmental regulations" (p. 9):

> Much of this is sensible; indeed the emission control order placed on Falconbridge in 1969 by the Ontario Ministry of the Environment has helped spur the company on to achieve additional reductions in the emission of sulphur dioxide from its smelter. In 1950, 83 percent of the sulphur in the ore was emitted into the atmosphere. Today only 14 percent is emitted. That represents an 83 percent reduction.

Thus, Falconbridge conceded that governments should on occasion regulate companies and impose environmental restraints on them as a "spur"; but it went on to argue that the process becomes counterproductive at a certain point, forcing severe cutbacks or shutting down facilities. It argued strongly for a cost-benefit analysis of government regulation. A recent Ontario/Canada Task Force on Inco and Falconbridge detailed various options open to the companies to reduce their sulphur dioxide emissions without detailed consideration of economic feasibility or socio-economic impact. If such a study were to be properly done by government, Falconbridge argued, it would be extremely helpful to decision-makers, not only in government and labour, but in the industry as well (p. 10).

Noranda, which falls between Inco and Falconbridge as a polluter, made no submission to the Commission.

Another submission, by the United Mine Workers of America (District No. 18, pp. 7-8), argued that high sulphur coal imported into central Canada from the USA was a major cause of acid rain and suggested its progressive substitution by lower sulphur western Canadian coal. Its major concern however, was to get a "Canada first" program adopted which would create jobs on western coalfields, rather than with environmental regulation and methods of cutting acid precipitation.

Overall, it would be true to say that the representations on the issue of environmental regulation did not deal with the issue of regulation per se, and did not make a case for other instruments of mineral policy or methods of dealing with the issue. The issue of whether the polluter or society at large should pay the cleaning up costs was not even addressed by the submissions, and the thrust of the representations was merely to argue that the industry was in no financial position to bear the brunt of the preventative and clean-up costs.

Since these representations were made, in early 1985, industry and governments have come to an agreement which places a large part of the general financial burden on governments, and Inco has made commitments to cut its emissions of sulphur dioxide by 50 percent within the next 10 years. A federal-provincial task force had earlier reported that Inco could reduce its emissions by 86 percent within five years.

Further Processing

> *Commissioner Donald Macdonald:* I was one of the Ministers responsible for that mineral policy document back in the 1970s which put a lot of stress on further processing in this country. If I understand you correctly you are arguing that, indeed, we may be cutting down on our economic rents . . . by seeking further processing?
>
> *Panelist Dr. A. Paus-Jenssen:* That is correct.

Both Falconbridge (p. 9) and Inco (pp. 3, 21) linked the issue of further processing directly to the issue of government regulation, and more specifically to environmental regulation. Expansion of further processing costs a great deal of money, according to Falconbridge, which could be better used in containing pollution). Further processing can also be an additional source of pollution, Inco points out: such

extra pollution can be avoided if the processing is done abroad.

BP Selco Inc. made a similar point in a more extended and detailed treatment of the issue (BP Selco, "Submission"). The submission attacked the regulatory intervention by government which supports the "conventional wisdom" on the issue of further processing (p. 22-3):

> Mining is an industry that lives by exports. We have to sell our products to our foreign customers in the form that they want. For years it has been the conventional wisdom in Canada that we should mandate further processing of minerals here for the value added effect. I think that the wish to husband our national energy resources and to improve our environmental standards makes this concept obsolete and it is of course unrealistic in market terms. There are plenty of foreign producers waiting to step in and supply products at any processing stage that Provincial or Federal Government Regulation might prevent Canadian mines from supplying.

Further processing, of course, continues to enjoy wide support. Although the producing companies do not like to have it imposed on them, many other groups are concerned about the jobs and value-added that further processing brings to Canada and are inclined to judge the contribution of mining according to this criterion. Some of their representations on the issue will be dealt with below, in the chapter on submissions which sought to maintain or expand (rather than limit or contract) government intervention.

Canadianization

Canadianization programs by governments, and their intervention in an attempt to restrict foreign ownership of Canadian resources, also came under attack, largely because these policies have resulted in the loss of some foreign investment, and a deteriorating "investment climate". Since mining is a capital intensive industry, any outflow of investment capital would be serious. The National Energy Program and Foreign Investment Review Agency came under particular attack for eroding the confidence of foreign investors in Canadian resource investments (Canadian Chamber of Commerce, p. 71; Mining Association of Canada, Challenges and Opportunities, p. 6; Inco, 19 October 1983,

p. 24; BP Selco, "Submission", p. 21; Canadian Business and Industry, International Advisory Council, pp. 11685-6).

The major complaint was not that Canadianization was unfair, inequitable and contrary to the spirit of free trade. Rather it was that it had been clumsily applied in a way that was counter-productive and had alienated necessary foreign investment especially, but not exclusively, from the USA. The Canadian Chamber of Commerce put it this way (p. 71):

> The Canadianization policies introduced in the National Energy Program have seriously eroded the confidence of foreign investors and reduced foreign capital flowing to the petroleum and mining sectors. While the Chamber supports the objective of Canadianization, we do not condone the methods used to attain this objective . . .

And BP Selco also focused on the methods of Canadianization policy ("Submission", p. 21):

> It is the doctrinaire style of measures such as the National Energy Policy and FIRA rather than their existence that to this day continue to give overseas investors a perception that foreign capital is neither wanted nor welcome here; for our industry this has been catastrophic, causing numerous oil and mining companies to terminate their extensive Canadian mining exploration activities after many years of involvement.

The obverse of Canadianization is protectionism, which is anathema to the mining industry as a whole, given its need to keep trade channels open, in particular with the USA. Few, if any, in the industry would publicly defend the NEP and FIRA, and one has to go much further afield to find reasoned support for government intervention in the foreign investment process, and protectionism in general (e.g. Canadian Institute for Economic Policy, pp. 11595-11621).

Crown Corporations and Direct Government Intervention

Many of the reactions to Crown corporations, whether federal or provincial, centred around a hostility to the direct intrusion of the public sector into business. The Canadianization component of Crown corporations did not arouse strong feelings, and was even supported by some. Those

who were hostile even to Canadianization did not base their case on the grounds of unfair expropriation; rather they argued (see above) that such a policy had negative effects on the flow of foreign investment to Canadian mining.

A consultant with nearly 30 years experience on Canadian mining ventures, H.N. Halvorson, argued that governments should and do play a central role in economic development through long-term planning, but not through direct engagement (H.N. Halvorson, p. 4):

> Governments must create the environment to which entrepreneurs are attracted and in which they will flourish. Successful economic planning should not result in governments doing the investment or acquiring operational assets. A player in a game cannot be a coach or a referee.

The Yukon Chamber of Mines ("Submission", p. 7) agreed, calling flatly for the "curtailment of the activities of Crown corporations" without even elaborating on its reasons.

Others were less categorical. Dr. A. Paus-Jenssen, Professor of Economics at the University of Saskatchewan and Macdonald Commission panelist on the theme day on "Resource Management" asked, without answering his own question (p. 10084):

> They (the resource owners and the producers) may ... be concerned about the degree of participation by private operators in this game. Is it easier for the public sector to collect the rents without being concerned about the claims that the private sector participants may have on these rents? For this reason, is it convenient to have Crown corporations engaged in resource activities? If so, what role is then left for the private participants?

His question was echoed by another participant on the same panel, Norman Anderson, chairman of Cominco (p. 10094):

> I do not think that it is necessary to have government ownership. There are so many other ways of regulating and extracting the economic rent that it is not really necessary to go to the full ownership aspect. Then, of course, there is the joint venture between government and industry. The question I ask myself is: Why is it necessary for government to be involved at all?

The question was not answered, aside from the argument that a Crown corporation can provide a 'window' on the industry, a source of data for governments helping them set policy in an informed way; but this argument was applied mainly to resource sectors dominated by multinationals, and even more specifically to the petroleum sector.

Other criticisms of the Crown corporations accepted them as an established (if unwelcome) fact and centred around the argument that they have an unfair competitive advantage against their private sector competitors, potential or actual, in that they may be subsidized (British Columbia Resources Investment Corporation, p. 8662). Because the provincial Crown corporations - also set up in direct competition with the private sector - "receive tax advantages not enjoyed by the private sector" (Mining Association of Canada, Challenges and Opportunities, p. 6), all of those in mining, at least, should :

> be liable for the same taxes and subject to the same rules as those applied by all levels of government to the private sector companies against whom they are competing (ibid., p. 11).

In spite of their advantages, Crown corporations have not been successful, at least in the mining exploration-development field, according to the Prospectors and Developers Association, a national group representing over 3500 small exploration and development companies ("Brief", p. 18):

> In recent years ... Crown corporations were formed to enter the mining exploration-development field. Restrictive tax policies and government securities regulatory bodies discouraged, if not prohibited, the raising of risk capital for mineral exploration; new growth and renewal in the economy all but ceased. Today neither government nor major resource organizations have the financial capability to maintain necessary mineral exploraton required to build, let alone maintain, our present inventory of deposits.

Another submission suggested that, although governments have their limitations in the exploration-development fields, it could be profitable to establish a symbiotic relationship between them and the junior (small) mining and exploration companies. The author, formerly in a senior position with the Ontario Ministry of Natural Resources and

now a consultant, suggested that Crown corporations might be a suitable vehicle (G.A. Jewett, Hearings, p. 12004):

> Now I would appreciate some comment from you as to whether or not really the best way to address some of these problems (of mining exploration and development) is to have some partnership with the public sector. Perhaps not directly with a government department but maybe a Crown corporation. Then, with the window on the world that the government then has, we might be able to do away with a lot of these uncertainties in respect of early stages of development. If the government wants to involve themselves on a partnership basis in the financing, that is probably in itself acceptable ... provided you don't tie (the entrepreneur) to a decision process that involved (unacceptable) time delays ...

Finally, one submission accepted that there might even be the perceived need on the part of governments to establish new Crown corporations, but suggested that the Royal Commission establish guidelines for federal and provincial governments, to allow them to assess the performance of the Crown corporations (Thompson Industrial Commission, p. 21):

> Crown corporations which do not serve a clear public policy mandate should be 'privatized' at an early date and those that begin or continue should be appropriately accountable and function effectively as instruments of policy.

Conclusion

Although many submissions took on a laissez-faire stance towards governments, most of the suggestions for less intervention were of a limited nature confined to specific areas, and refrained from rash demands to let the economy run itself, guided only by Adam Smith's "invisible hand" and the rationality of free markets. Government was asked to be a facilitator, laying down the conditions for economic growth and development, and refrain from intervening more directly in the economy. Unfortunately, however, no sustained effort appears to have been made - at least in the case of mining - to clarify the boundaries between the two roles.

In a real life situation of imperfect markets, the boundary is far from clear or obvious and it is a notable failure that the submissions did not address it seriously; nor did the Commissioners manage to elicit many helpful suggestions. In its first publication in 1983, before the submissions and hearings, the Macdonald Commission laid out a number of questions it wanted help in answering. One concerned the role of government in the private sector:

> Can we measure a precise percentage of government involvement that is the "right" mixture, a percentage which can serve as a goal and a guide for governments . . .? (Is) there a set of principles which can define the appropriate role of government given shifting economic circumstances, preferences and needs?[6]

Later, 1162 briefs later, when it prepared its interim report, A Commission on Canada's Future: Challenges and Choices, the Macdonald Commission appeared to be no further down the road to answering its own questions, outlining in one context four options for governments: expansionary policies; direct intervention; improved operation of markets; and 'business as usual'.[7]

That so little progress was made with so vast an effort was partly the responsibility of the Commissioners, who failed not only to focus their own questions realistically, but also to focus the hearings tightly enough. In addition the submissions, with some notable exceptions, made little attempt to deal with and contribute to the broad mandate of the Commission and fell too often into narrow pleas of self-interest.

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6. Royal Commission on the Economic Union and Development Prospects for Canada, 'A Commission on Canada's Future: Be part of it', (Minister of Supply and Services Canada, Ottawa, 1983).
7. Royal Commission on the Economic Union and Development Prospects for Canada, 'A Commission on Canada's Future: Challenges and Choices' (Minister of Supply and Services Canada, Ottawa, April 1984).

3. GOVERNMENT INTERVENTION: SOUGHT AFTER

Give us the tools, and we will finish the job
- Winston Churchill to Franklin Roosevelt, 1941

A large majority of submissions - both from the mining industry and in general - which dealt explicitly with government intervention opposed it in principle (see Introduction). Nevertheless it is true that the vast majority of submissions also constituted direct and self-serving requests for special treatment from governments. The thrust of the submissions was to accept that government has intervened and will continue to do so; and at the same time to suggest further intervention on behalf of specific interests.

Thus, although the bulk of the submissions were focused in this way, this particular emphasis is not necessarily the most interesting or important. In fact, it tends to stray a long way from the goal of the Macdonald Commission, which was to get input from individuals and groups on how their particular needs and desires could be accommodated by, and contribute to, Canada's development prospects and future economic policies. It is not that these questions were never addressed, but rather that they were generally addressed in a superficial and tangential way, en route to the issues of real concern: i.e. the specific and narrow needs of the person or group making the submission.

Overall, then, it is necessary to resist the temptation to give too much prominence to the requests, in this case from the mining sector, for government help and support. On the other hand, the submissions do give a rare insight into contemporary concerns of all the protagonists in the mining sector. It is therefore proposed to cover them by concentrating on breadth rather than depth, by attempting to outline the major issues in the industry and to sketch rather than detail the process of (to misquote the legendary Harold Lasswell) who asked for what, when, how.

Special Treatment for a Special Industry

Given that the mining industry is export-orientated and anti-protectionist, it has traditionally adopted a position favouring the free operation of markets, the specialization of function, and survival of the fittest. From 1945 until about 1970, the mining industry received extremely favourable treatment from Canadian governments without even having to lobby too overtly for it.

The questioning of this favourable treatment in the 1970s, and the withdrawal of some of it, forced mining to lobby rather vigorously; but most of its requests were framed as a program merely to return to the policy regime which had served mining so well for so long.

In the 1980s, however, the companies and their spokesmen have had to accommodate themselves increasingly to a structurally different international mining industry. They have been forced to go - with some distaste - to government to ask for special treatment in a wide variety of new areas (e.g. productivity enhancement, environmental help, research and development, trade access and market accessibility) as well as old areas (e.g. tax relief, infrastructural help, further processing). To do this, they have been compelled to develop a case showing why mining is special, and deserving of special help. This has been done with some hesitation and diffidence, however; so much so, that the Commissioners cross-examined with scepticism one company president, BP Selco's P.C. MacCulloch, who had made a comprehensive case for special treatment of the industry. MacCulloch was asked whether this type of request was really representative of the industry?

MacCulloch said that, "to a considerable extent", it was (BP Selco, Hearings, p. 12678). In his earlier brief, he had argued that mining should receive special treatment for a number of reasons. It is an important sector of the economy, and has been for 100 years (B.P. Selco Inc., "Submission" ...' p. 12). It has been crucial in opening up remote areas and underwriting major transportation links, and is still doing so, for example in northeastern British Columbia (p. 13). It creates wealth and employment directly and through spinoffs into other activities in areas where neither existed before. It is also a country-wide industry, often situated "in the remote, economically and socially disadvantaged areas of our country" (p. 13). It is the major spur to northern development. It is founded on Canada's natural resources, and it competes on world, rather than domestic, markets. All these factors suggest (p. 13)

> ... that it would be politically acceptable to have mining designated as a special planning sector within the national economy and aided as required on a special sector basis.

It is interesting to echo Commissioner William Hamilton's question and ask to what extent this position is representative of the mining industry as a whole? Judging from the

submissions to the Macdonald Commission, it is fairly representative. Although others attempted to avoid openly displaying their position of supplication (particularly by attacking government intervention: see previous chapter), a common thread ran through their submissions that mining was special and deserved special help.

Inco Limited, for example, pointed out ("Submission", p. 2) that the industry is going through a particularly difficult period, and needs support. Such support would be justified by its crucial importance, not only to regions, but to numerous communities. In the past, the mining industry had been central to the establishment of centres such as Sudbury, Trail, Yellowknife, Noranda, Cobalt, Timmins, Kirkland Lake, Elliot Lake, Wawa, Red Lake, Flin Flon, Thompson, Lynn Lake and Leaf Rapids (p. 5). Mining opened up the remote regions and contributed to the development of a nationwide infrastructure of transport links and residential areas. Moreover, the industry is in for an extended period of little or no growth. In addition to this it is (p. 16):

> ... destined to sell its commodities in an oversupplied world market, as is the case with most of the Canadian mineral industry ... (therefore) it may actually require special consideration from time to time.

Thus, the submissions tend to focus on either:

1. what mining has to offer which is unique (see also Mining Association of British Columbia, pp.1 and 2; Mining Association of Canada, Challenges and Opportunities, p. 1; Prospectors and Developers Association, p. 15); or

2. why mining's needs are unique (see also Cominco, Hearings, p. 10112; Sudbury, p. i-ii; and the Saskatchewan Mining Association, pp.1, 3-4 which argues that the risk factor in mining is unique and necessitates unique long-term policy stability.

Other submissions deal with both why mining has something unique to offer, and why it deserves special treatment. Gerard Docquier, one of the Macdonald Commission commissioners, took time off to make a submission himself on behalf of the United Steelworkers of America, and argued (United Steelworkers of America, p. 18-19) that mining and metal industries are subject to an unusually high degree of

cyclical instability (because of their dependence on volatile international markets and tendency to excess capacity). At the same time it

> is equally clear that the health of these industries is central to our overall economic performance. They provide secure, world-priced inputs to manufacturing and other sectors, and they are important markets for Canadian technology-intensive goods and services. The linkages between these basic industries and other sectors are critical determinants of the shape of our future economic development, and of the extent to which we will be able to capture the employment and other benefits of our own development. They are not nearly as strong as they ought to be.

Docquier thus put his finger, with rare clarity and brevity, on the central dilemma of Canadian mining for the rest of the 1980s and beyond: how to link up synergistically with other sectors of the Canadian economy in the competitive new world, in such a way that it is both nurtured and an active contributor to the growth of all (see also Atlantic Provinces Economic Council, pp. 4382-5).

In all this discussion of why mining is special, or should receive special treatment, there was surprisingly little consideration of comparative advantage. Perhaps this was because there is no longer any consensus on whether Canada's natural resources, and mining in particular, enjoy comparative advantage in world terms, or not. The current depressed state of international commodity prices would increase this uncertainty. Donald Johnston, then federal Minister of State for Economic and Regional Development and for Science and Technology, argued that international trade today consists mainly of trade in manufactured products (Donald Johnston, p. 7-8):

> the old rules of comparative advantage based on endowments of various productive resources do not seem to apply ... countries can 'engineer' comparative advantage in a sector.

Johnston and others tended to argue that comparative advantage in natural resources has now been supplanted by the importance of human resources. Whether talking about mining or other sectors of the economy, very few submissions made the traditional argument that Canada should fol-

low its comparative advantage in natural resources. The handful who did include Dome Petroleum, Camco, and Senator George Van Roggen (p. 337):

> I think it is high time as Canadians that we started to concentrate on those things we can do best, those things where we have natural advantage, either because of our geography or our resources, and stopped trying to push water uphill all the time at great cost to not only the taxpayers but to our standard of living.

Overall, the debate about comparative advantage - both in mining and elsewhere - was disappointing and superficial, particularly given that one of the major tasks of the Macdonald Commission was, in effect, to tease out Canada's comparative advantages and translate them into a long-term economic strategy. The mining submissions were perhaps handicapped by the fact that, in asking for special treatment, it does not ostensibly help one's case to admit that one has a comparative advantage in the first place. But this is short-sighted: though Canada's comparative advantage in natural resources has clearly been eroded in the international arena over the last decade, this is not necessarily to deny that natural resources still enjoy a comparative advantage over Canadian manufactured goods in world markets. As BP Selco's P.C. MacCulloch pointed out, temporary bridging support from governments enable the mining industry to survive now and stand on its own feet later (BP Selco, Hearings, p. 12678).

Even more important is the vital, and fairly obvious, need to develop the connection between resources and manufacturing which Gerard Docquier discussed so cogently. If Canada has no clear advantage in mining, and no clear advantage in skills, technology and manufacturing, it might yet have such an advantage in its access to a combination of both. The problem of creating synergies between sectors was an area hardly addressed in the submissions (it remains to be seen whether the staff research of the Macdonald Commission filled the gap). But it is absolutely central to the mandate of the Commission and should also have been central to those submitting briefs to it.

The failure to deal convincingly with the issue of comparative advantage, then, impoverished the arguments of both those who proposed special treatment for the industry and those who opposed it, and left the resolution of the issue as remote as ever.

Requests for Government Support

Broadly speaking, government support, subsidies, and aid were requested in all the traditional areas (lower taxes, better and cheaper infrastructure, fewer or less stringent environmental regulation etc.) and in a number of newer areas (trade access, research and development, productivity etc.). The distinction between the two areas is tenuous at times, and is used here merely as a rough device for convenience, to attempt to impose some shape on a multitude of scantily-related requests from a diverse and divided industry.

Traditional Areas

(a) Tax Incentives and Efficiency

With very few exceptions, industry spokesmen argued that the industry could do better if more tax incentives were offered, though there was no concerted attempt to push for any fundamental changes in the tax system. A large number of submissions reminisced nostalgically about the golden days of the 1950s and 1960s, when the tax regime was very much in favour of the mining industry, and blamed the tax 'wars' between federal and provincial governments and the companies for the reverses and loss of international competitiveness in the 1970s and 1980s (Cominco, p. 10088; Canadian Chamber of Commerce, pp. 69-70; BP Selco, Hearings, p. 12692; Mining Association of Canada, Hearings, p. 13895; Saskatchewan Chamber of Mines, p. 3).

The implicit and explicit point of this focus was to suggest the restoration of many of the old tax privileges. In particular, the companies would like the legendary three-year tax holiday, a three-year write-off provision for new mines, restored (Mining Association of Canada, Challenges and Opportunities, p. 10; Prospectors and Developers Association, p. 21). But the request was not made with any urgency, and has become almost a ritual, a mechanical representation which has not improved the credibility of other requests.

Some submissions argued that Canadian tax is not competitive with that imposed on producers in other countries, and puts the industry at an international disadvantage (Cominco, p. 10112; Messer, Calgary Hearings, p. 8675; Mining Association of Canada, Hearings, p. 13910). But the grievances were not supported with any substantial evidence, and the overwhelming impression remained that there was no

real desire for any fundamental tax reforms. One substantive point made in this connection suggested that the Canadian tax system did not allow as quick a recovery of capital as was possible in some other mining countries (British Columbia Resources Investment Corporation, Hearings, p. 8674):

> In terms of the taxation regimes, then, the disadvantage that we suffer on an international basis is that some of our competitors operate in a regime - and actually they are our fiercest competitors and the ones we are going to have to contend with in the foreseeable future - operate in a tax regime whereby capital recovery is very rapid. It is virtually guaranteed within two or three years of the time of making a capital investment.

No detailed alternative was offered, however, to the present Canadian system.

On the few occasions when the fundamentals of the tax system were discussed, there was also a lack of a sense of high priority. Though real criticisms were being expressed and alternatives posed, they were at a high level of generality. The submissions dealt with the issue of royalties, flat rate taxes and progressive taxes but were far clearer on what was not wanted than on what was wanted (Mining Association of Canada, Challenges and Opportunities, p. 11; BP Selco, Hearings, pp. 12693-4).

Tax changes to help the smaller exploration companies through extra incentives were suggested by a large company and by an economist on a Commission panel (Inco Limited, "Submission", p. 14; Paus-Jenssen, Hearings, Saskatoon, p. 10124). And the major spokesman for the smaller companies, the Prospectors and Developers Association, argued as it has for years for improvements in flow-through provisions (allowing loss-making companies to utilize their tax losses) and for the abolition of capital gains tax on mining properties ("Brief", p. 6, p. 7, p. 21; Hearings, p. 10758, p. 10760). The improvements effected in the April 1983 Budget, however, were substantial ("... I think you can probably call that the prospectors' amendment" conceded the PDA, Hearings, p. 10759) and refinement, rather than fundamental further change, is now being sought.

One interesting new development was the sweeping criticism brought forward by the Mining Association of Canada of non-profit "taxes", which it suggested accounted for

between 16 and 25 percent of the industry's total operating expenses, excluding corporate income taxes and royalty payments. It went on to estimate that the share of total mining operating costs attributable to governments amounted to a staggering 30¢ on the dollar (Mining Association of Canada, Challenges and Opportunities, pp. 25-27). In the hearings this was further elucidated (p. 13904):

> What we have said in our brief is that approximately 30 cents on each dollar ... of the cost of producing minerals in Canada is a contribution to government in some form. That excludes, of course, (mining) taxes, income taxes, and royalties ...

These calculations were challenged during the hearings by Commissioner Thomas Shoyama, who suggested there had been "a little arithmetic error somewhere", and argued that

> in fact isn't the great bulk of them (the "contributions to government") in a sense contributions for the cost of your labour, the cost of operations, the cost of inputs, etc.; rather than directly to governments which only put a clamp on through the tax system?

The argument fizzled when a Mining Association spokesman then conceded (p. 13907) that "to a high degree in some areas a lot of these costs would be incurred by industry with or without the presence of government". He went on to argue that the concern being expressed was with the totality of government cost burdens, many of which are avoided by the industry's competitors abroad. This was undoubtedly accurate, but on first sight appears to be a wistful call for social revolution rather than a coherent rationale for reform of non-profit taxes per se.

Another interesting suggestion which suffered from not being comprehensively thought through was that made by Gerard Docquier, not in his capacity as a Commissioner, but in presenting a brief for the United Steelworkers of America (pp. 21-22). He suggested a Miner's Fund, to be financed by taxing the economic rents of resource exploitation, and to be used as a sort of redundancy fund helping workers to relocate and retrain themselves. Docquier did not, however, attempt to show whether or how the companies could afford to carry the burden.

(b) Tax Stability and Simplicity

The objective of tax stability and simplicity is very much a motherhood objective, essentially uncontested by all parties in all sectors of the economy (e.g. Donald Johnston, pp. 6-7). Mining has certain special features and needs, however, which several submissions discussed.

First, its volatility and cyclicity needs to be recognized (BP Selco, Hearings, p. 12680) and provided for by the tax system, which (according to the Mining Association of Canada, Challenges and Opportunities, p. 11-12):

> must be sufficiently flexible to provide for reasonable returns to the private sector over the complete mineral cycle. Companies must be able to offset low profits in depressed years by retaining an adequate portion of their earnings from the good years.

Second, it must be recognized that the costs of uncertainty in the case of mining are very real costs (Mining Association of British Columbia, "Submission", p. 6; Inco Limited, "Submission", pp. 22-3). Tax legislation, especially provincial legislation, has undergone major swings with changes in government, and served as a disincentive to new mine development. The consequences are serious (Inco, p. 23):

> It can require as much as 10 years from discovery of an ore body to availability of product for sale. Capital investment may be in the hundreds of millions of dollars, and financial returns will often be based on production plans reaching out 20 years and more. Clearly any industry that must look out 20 years or more for a return on investment, must be concerned about the reliability and stability of the tax regimes that are in place.

Simplicity, it was argued, goes hand in hand with this stability: a greater degree of consistency between the tax regimes of provincial and federal government, for example, would both simplify and stabilize mining taxation, to the benefit of both governments and companies.

(c) Infrastructure

Submissions dealt with various infrastructural issues, such as power supply and development of remote communities, but the area of major focus was transportation availability and cost. Once again there was a harkening back to the golden days of the 1950s and 1960s, when the Canadian government made extensive "co-operative provision of infrastructure such as access roads, airports, rail lines" (Prospectors and Developers Association, "Brief" p. 5).

The development and support of infrastructure is intimately related to regional and northern development policy, and mining has been a key to such developments (Prospectors and Developers Association, "Brief", p. 9).

> Mining has been the leader in opening the Canadian frontier. A perusal of the map of Canada quickly makes clear that north-south arteries (rail and air transport) were initiated and supported as a result of mining discoveries. Most established northern communities have their roots in metal mining - Sudbury, Timmins, Trail, Flin Flon, Chibougamou, Matagami, Manitouwadge, Yellowknife, Noranda, Rouyn, Val D'Or, Bathurst, Thompson - to name only a few. Even today, new developments are opening new areas such as Echo Bay, Cullaton Lake, Detour Lake in the remote north.

If northern development is not to be frustrated, a way has to be found to serve the huge land mass of the middle North (Cominco, p. 10090). The southern part of the north country is served by several railways from the south, while the north coast and Arctic islands are accessible in the summer by ocean freight, "but the huge expanse in the middle, from the Yukon to Hudson Bay and on over into Ungava is inaccessible today except by airplane".

To what extent can mining be based on air transport? Fly-in, fly-out transport has been and is being tried, but was not addressed in any significant way by representations to the Macdonald Commission. One problem is the need to have sufficiently large communities nearby to feed the fly-in, fly-out venture: the Local Government of the District of Lynn Lake, Manitoba, said this had effectively disqualified its community from a fly-in, fly-out strategy. Presumably the problem would be compounded in the sparsely populated "middle north".

Another problem is lack of knowledge about orebodies and their extent. As the Local Government of Lynn Lake put it (p. 5878):

> In the mining community you never know the end of it, because you might find sufficient ore in one place to know that you are going to have a mine for 10 years, and then discover more. Then what happens? Are you going to prevent people from building their own places?

Cominco's verdict on at least the transportation aspect of fly-in fly-out was similar, if more categorical (Hearings, p. 10090):

> You cannot mine base metals with only the airplane as your principal mode of transportation ... Canada is going to need a comprehensive and constructive transportation policy for the north country if we are to participate appropriately in serving the world's need for metal.

The link between transportation costs and the competitiveness of mining ventures was made cogently by several submissions. Transportation costs are the key to the competitiveness of northern mines in world markets, according to the Northern Canada Power Commission (p. 6).

Similar links apply to transportation and competitiveness on an east-west axis. A delegation from the United Mineworkers of America, District No. 18, concerned with unemployment among western coal miners, pointed out that central Canada imports 16.5 million tons of high-sulphur (polluting) coal annually from the USA, at a cost of nearly $1 billion. The reason is simply that "the present transportation system for the movement of coal was designed to benefit coal exports with little or no consideration given to the movement of coal for domestic use" (United Mine Workers of America, District No. 18, p. 2).

Besides affecting international competitiveness, high transportation costs can limit the industry's ability to embark on further processing. Noranda, one of Canada's largest mining groups, finds it uneconomic to link its mine production in the west with its processing facilities in the east (Canadian Business and Industry, pp. 11678-9):

> Within the resource industries we are desperately concerned with the issue of further processing in the country. We have immense amounts of

> mine production in British Columbia and a lot of processing facilities in central and eastern Canada. The transportation situation is such that the cost of transporting goods across Canada is often considerably higher than the cost of transporting goods across the Pacific for processing, either to Taiwan or Japan or Korea ... We need to think more about the need for a B.C. miner and a Quebec smelter worker to be able to work together ... and I think transportation policy and transportation cost has a principal economic impact on that decision.

Thus the industry is highly dependent on government supplied infrastructure such as transport and communication systems, and government-owned or regulated utilities. A decision announced in 1983, for example, to allow Ontario Hydro to increase electricity rates by 9 percent added 1¢ - 2¢ to the cost of producing a pound of copper, which could in time lead to loss of markets or market share: "Thus productivity trends within government . . . inevitably influence productivity trends in industry" (Mining Association of Canada, 'The Minerals Industry and Canadian Economic Growth', p. 9).

Finally, infrastructure was tied to northern and regional policy and the federal government was told that if it wanted to have a northern development policy it had to equalize the burden to investors, including infrastructural costs between north and south (BP Selco, Hearings, p. 12682):

> We have a mine in northwestern Quebec. For that mine, we had to build 56 miles of road, we had to have a town site and we had to build 56 miles of power lines. If we were an enterprise investing in the south . . . the power would be as close as the nearest power pole outside the plant. The road would come right to the door. The houses would be somebody else's worry, not ours.

Overall, the representations on infrastructure to the Macdonald Commission reflect one of the general problems of all representations on all sectors: the feeling that, because there were no firm and definite guidelines and parameters offered to those making submissions, everything was possible and therefore everything that seemed remotely feasible was requested. There is no attempt either in the repre-

sentations or in the Commissioners' questioning to arrive at a cost-benefit analysis of new infrastructure, to draw up a balance sheet of the social and economic benefits, and compare them; or to arrive at a general understanding of the desirable relationship between private enterprise and public services.

(d) Further Processing and Diversification

In chapter 2 the opposition to further processing, particularly as imposed by government policy, was examined (pp. 29-30). The opponents, generally, were the producers and economists opposed to tampering with markets and perceived comparative advantage.

There was also a group of submissions, however, very much in favour of further processing, and of government intervention, if necessary, to achieve it. Despite warnings that current government trade policy encouraged further processing even when the international markets for the processed products did not exist (Mining Association of Canada, Challenges and Opportunities, p. 7), several submissions connected further processing directly to the creation of more jobs and capture of value-added and spin-off benefits (e.g. Tom De Fayer, p. 10; and Communist Party of Canada, British Columbia, p. 10).

They were not averse to these being imposed directly by government on industry: "... socio-economic agreements with resource firms have been an effective instrument for capturing spin-off economic benefits from mining development activities in the territory" (Government of the Northwest Territories, p. 11).

In general, these appeals were not sustained arguments demonstrating the economic advantages of further processing so much as sectional appeals on behalf of regions (Sudbury Regional Municipality, "Hearings", p. 5723; New Brunswick Liberal Party, p. 6). A very explicit example of this was the submission by the New Brunswick New Democratic Party,arguing (p. 3653) that Belgians rather than Canadians profit from Canadian natural resources via increased employment, because of actions by the Belgian government. It asked for retaliation from Canadian governments to stop this:

> Nous avons dans cette province la plus grosse mine de zinc au monde, Brunswick Mining du groupe Noranda ... On a cette grosse mine de zinc, mais qui crée des emplois en Belgique

> parce qu'en Belgique la législation défend d'importer des richesses naturelles qui sont transformées. Donc, les Belges créent des emplois chez eux, mais pourquoi au Canada le gouvernement fédéral ou provincial ne crée pas une législation de la sorte pour obligés les richesses naturelles à être transformées ici pour créer des emplois ici et en même temps assurer l'avenir économique des Canadiens et peut-être aussi des Acadiens?

Finally, there were several regional and special interest pleas for government funds, especially federal money, for mining research and research institutes to enable further processing and general diversification programs to be established on a profitable basis (New Brunswick NDP, p. 3641; Lynda Sorenson, p. 5; Sudbury Regional Municipality 'Brief', pp. i, 3, 5, 299; and Douglas Goldsack, pp. 5, 8).

This type of recommendation was challenged by one of the Commissioners, Thomas Shoyama, who pointed out that technical ability might not be sufficient in the face of economic exigency:

> ... I would say that there are economic aspects. There is a relatively simple answer as to why we have not developed a large scale mining machinery industry in Canada. This is a highly intensive, highly technological, long lead-time capital investment requiring world scale markets. We have to be good enough to be exporting (and) I am not sure how we get to that stage ...

Thus the conventional argument for further processing and diversification via technology was made, and met with the conventional rebuttal.

(e) Exploration

Some submissions reflected a pervasive nostalgia for the golden days of the pre-1970 period (Prospectors and Developers Association, "Brief", pp. 4-5; Yukon Chamber of Mines, pp. 1-3). The individual entrepreneur-prospector was extolled, and the scale of necessary expenditure was outlined in urgent, but cursory fashion. Billions of dollars are needed for exploration and development in Canadian

mining if the industry is merely to stand still, according to the Mining Association of Canada (Hearings, p. 13898).

Governments were seen to have a vital role to play. In the Yukon, exploration expenditures dropped from $50 million in 1981 to $12 million in 1983, and tax incentives are urgently required to encourage prospectors and junior mineral companies to explore for new deposits (Yukon Chamber of Mines, pp. 3, 4, 7). Some large companies also joined the call for an infusion of government money or resources into mineral exploration (Inco Limited, p. 14) justifying the help in terms of job creation, and creation of knowledge of the Canadian domain even when commercial discoveries do not result.

The Mining Association of Canada emphasized not only the scale of exploration finance needed, but the necessity for government investment incentives to be stable "as the process from the initial success of exploration to the opening of a new mine could take eight to ten years" (Challenges and Opportunities, p. 10). It emphasized that such incentives had a good chance of paying dividends because there is much still unexplored, particularly given emerging new exploration technologies; and that future discoveries were likely even in built-up areas (Hearings, pp. 13901, 13914).

Governments could also provide help to exploration in addition to incentives and grants. One thoughtful submission by a consultant, George Jewett, emphasized two aspects of government intervention and help in mineral exploration: first, to understand that mining is a very small user of land in Canada: ". . . the total amount of land disturbed by the mining industry in Canada doesn't equal the land occupied now by the interchanges on our highway system across Canada. I think it measures less than 80,000 acres" (Hearings, p. 11996).

Jewett argued for the allowing of exploration under clearly defined regulations, with conditions attached but with the principle of ultimate extraction assured. He suggested that mining exploration might in some cases be conducted through a partnership of private sector and government (perhaps in the form of a Crown corporation, (ibid., p. 12002). This would give governments a "window" on exploration, and possibly involve some direct financing of projects as well provided this did not inordinately delay the decision process.

Perhaps partially contradicting his joint-venture argument, Jewett went on to talk about the tremendous pent-up willingness in the private sector to support mining exploration (Hearings, p. 12004):

> The thing that I found so impressive in the last ten years in our Canadian experience was the amount of private money that came out of the woodwork during the gold boom of 1980. The private sector financed activity - some of it was not market financed but individuals financing sometimes up to seven figures - was just beyond my comprehension . . . We have underestimated the Canadian willingness and ability to take a risk investment. He will take a risk provided he sees he can make something.

The question remains then: to what extent should any declines in exploration expenditure be attributed to (and dealt with by changes to) the policies of governments? To what extent is this merely a problem of increasingly competitive world markets and stagnant commodity prices about which governments can do little, if anything? The representations to the Macdonald Commission did not, unfortunately, meet this problem squarely, a fact which both vitiated their ability to aid the Commission in its goal of formulating economic strategy, and the impact of their own requests to governments for help and relief.

Newer Areas for Government Support

Structural changes in the Canadian and international mining industries have led to new demands on the producers in Canada and, in turn, new demands on governments. The need to stay healthy (or merely to survive) in a brutally competitive new world of cut-price commodities has led to a new emphasis of issues such as market development, trade access, productivity and research enhancement. Governments, of course, have long been involved in these areas, but the intensity of involvement, and the companies' desire for specific cooperation and help from governments is a relatively new phenomenon.

(a) International Trade and Markets

The balance of mineral supply and domination of its markets internationally has shifted toward the less developed countries. This, according to BP Selco (Hearings, p. 12689) is partly because of the subsidized capital enjoyed by many LDCs, and their determination to sell their product for foreign currency, even if this entails an actual loss.

Nevertheless, it is argued by a number of submissions, mining is a strong trader and internationally competitive. Thus traditional Canadian protectionism to preserve its manufacturing industries is seen as poor policy (the artificial propping up of weak competitors), and detrimental to the interests of the mining industry (Mining Association of British Columbia, "Submission" p. i, 2, 4, 7). It is a policy which encourages trade retaliation, and one which could damage mineral exporters (Mining Association of British Columbia, Hearings, p. 200 and "Submission", i, 4, 7; and BP Selco, Hearings, p. 12676).

Although the chairman of the Commission, Donald Macdonald, described free trade as a "cliché" (Hearings, Regina, Saskatchewan, p. 10566), it received some influential support (Business Council on National Issues, p. iii) and the final report of the Macdonald Commission will probably recommend the liberalizing and freeing of Canadian-U.S. trade.

Specific requests made in representations to the Commission asked the federal government to take trade policy initiatives which would curb subsidized production and market blockages. It should undertake aggressive initiatives in the area of trade policy to open international markets to Canada, and should improve its gathering of commercial data which could help the mining industry in its marketing efforts (Mining Association of Canada, Challenges and Opportunities, p. 12; BP Selco, Hearings, p. 12692; and Mining Association of British Columbia, 'Submission', p. 7).

The key to being competitive in world markets - for the benefit of both the companies and the nation - was to cut costs and improve productivity (Mining Association of Canada, Hearings, p. 13897). Another suggestion was for the mining industry to "disembody the managerial and engineering technologies from the resources so that we can sell these technologies separately since there is much less competition and much higher value than in straight resource sales! (Michael Goldberg, p. 1).

Should government market minerals directly? Some answered in the affirmative, for example the New Brunswick NDP (Hearings, p. 3641); but the producers were firmly opposed to any such extension of the role of governments (Mining Association of Canada, Hearings, p. 13911).

Thus, although mining producers remained opposed to any policies which might antagonize their international trading partners and endanger their markets, they had come to the realization that they needed all the help they could get in their struggle for markets. The result was the requests to the federal government for help in specific

areas such as trade access, market data, intensified diplomatic representation and freer trade with the USA.

(b) Productivity

The Canadian mining industry currently faces an international situation of declining or stagnant demand coupled with growing (and cheaper) sources of supply. There are only two credible escapes from this pincer, other than getting out of the business. One is to attempt to increase demand, for example by developing new products for metals and minerals produced in Canada: there is some talk of this, but it is a strategy which needs to be backed by the resources of the entire international mining industry, rather than merely those of individual countries. The Nickel Development Institute is a promising example of such a strategy.

The other strategy is to produce more cheaply than suppliers in other countries. Not surprisingly, then, issues of competitiveness have come to predominate in the mining industry, and there was a concerted focus on them in the representations to the Macdonald Commission. More specifically, there was a heavy emphasis on productivity, on ways of producing more efficiently, to make Canadian producers competitive even with the low-wage, high-grade producers who are so dominant in world markets.

For various reasons, social, political and historical, there is no significant possibility that Canada would or could attempt to reduce the wages and benefits of workers sufficiently to compete internationally with the newly industrialized countries. This means that a higher-productivity, rather than a lower-wage, strategy of competition is politically both more feasible and palatable in Canada (Donald Johnston, 9). This is turn means both an emphasis on shifting from lower to higher skills in established industries such as mining, and adjustment and restructuring from established industries to new areas (Mining Association of Canada, "Internationalization and Adjustment", i, passim).

Mining productivity is already considered to be substantially above Canadian averages in other sectors. Defined as the metal and mineral producers (excluding oil and gas), the mining and milling industry directly employs about 1.1 percent of Canada's workforce, but value added in the industry has been about 2.8 percent of GNP in recent years, and the industry has made a "disportionate contribution to Canada's national income" (Mining Association

of British Columbia, pp. i, 1, 2). In certain types of mining, in fact, it is claimed that Canada is "the most productive in the world" (British Columbia Resources Investment Corporation, p. 8669). Productivity comparisons are notoriously difficult because of a myriad of variables such as grade of ore, location, climate and transportation (ibid., and Johnston, p. 2). It is fairly widely agreed, however, that the success of Canadian mining has had as much to do with its skills and productivity as its resource endowment (Mining Association of Canada, Challenges and Opportunities, p. 5):

> ... Canada's competitive edge does not stem from resource abundance. It stems from long years of accumulated expertise in exploration and mining techniques that reside in companies ...

In spite of its good productivity record, the current international crisis in mining, and Canada's specific position in that crisis, necessitate further and drastic improvements in Canadian productivity (Inco Ltd., p. 9):

> The straightforward answer to the question "How can the Canadian mining industry survive?" is that "it will not, unless it lowers its unit costs of production by improving its productivity significantly".
>
> This means improving the productivity of all of the employees in an operation, not only those at the end of drills or at machine controls. In the face of escalating costs of employment, energy and other supplies and stagnant or declining prices, salvation depends on productivity improvement. Indeed, productivity must be improved on a continual basis, and in some cases by at least 100 percent to 200 percent in order to ensure survival.

Productivity has already been improved fairly drastically over the last 2-3 years. The Mining Association of Canada gave several examples in its "Minerals Industry and Canadian Economic Growth" (pp. 10-11): Falconbridge reduced its cost of producing nickel by $1.10 per pound within three years. In mid-1984 it was producing nickel at 1975 costs, in real terms, with a further reduction of 10 percent in prospect. Kidd Creek Mines projected an overall 1984 productivity improvement of 17 percent in smelting copper, and many significant improvements in other areas.

Dome Mines achieved a 50-percent increase in production with only a 20-percent increase in employees. And Inco's conversion to bulk mining methods resulted in output increases per person shift in Sudbury and Thompson of between 68 and 80 percent in some mines. Output per person shift doubled since 1977 in open pit operations. The company expects eventually to increase productivity by over 200 percent in its underground mines (see also Inco Ltd., pp. 11-12 for fuller details), and it has claimed elsewhere that this will be achieved through advances in both capital and labour productivity.

An important question is whether these improvements indicate genuine productivity enhancement, or are temporary and unsustainable. Donald Johnston, then Minister of State for Science and Technology, said flatly in his submission (pp. 1-2) that we simply do not yet know how to tackle the productivity problem. Talking about Falconbridge's productivity achievements, the Mining Association of Canada ("The Minerals Industry ..." p. 10) acknowledged the ambiguity of the data: "... some sceptics ... have suggested many of these reductions can only be sustained temporarily ('they are deferrals rather than cuts')". But it then pointed out that Falconbridge believed it had achieved permanent cost savings.

How were the savings, or increases in productivity, achieved? Not through any major technological breakthroughs, but through drastic cuts in labour forces (Falconbridge cut its work force by a third, and its head office staff by 50 percent); by transformation of mining and management methods (Inco's introduction of bulk mining methods); and by fine-tuning of the existing technological infrastructure (Kidd Creek). Nor are major technological breakthroughs which will drastically improve resource productivity likely for the foreseeable future (British Columbia Resources Investment Corporation, p. 8669).

Inco argued that improved productivity comes from a combination of measures (p. 10):

> ... from introduction of new methods and equipment, from effective use of capital, and from improved co-operation between management and production employees ... Existing underground mining methods must be replaced with new bulk mining methods. Tons of ore produced per worker per manshift must be <u>increased</u> and the capital investment per ton of capacity must be <u>decreased</u>.

Achieving this, it emphasized, is a management function. But it has to be supported by governments, "through preferential tax treatment or through research grants, as has been done for processing and other technologies". Such support will also benefit the manufacturing sector by stimulating the development of new mining equipment.

BP Selco also asks governments to undertake joint ventures with industry in providing five-year seed funding for research on lower-cost processing and new applications for metals ("Submission", p. 25; Hearings, p. 12689). The Mining Association of Canada advocated a significant role for government, but laid down very specific guidelines to the limits of that role ("Internationalization and Industrial Adjustment", p. 10):

- governments should be able to demonstrate that the activities which they are supporting would not have proceeded without government involvement (i.e. government investment must be "demonstrably incremental");
- government investment must create new wealth and offer the prospect of becoming commercially self-sustaining; and
- government research and development must reflect industry needs, be tied to productivity enhancement and to the existence of willing private-sector partners.

The Mining Association of Canada, it should be noted, does not want less R & D expenditure. Rather, it wants the industry to pay less taxes and to be allowed in that way to plough money into research itself, instead of relying on governments to do so with tax payers' funds (Mining Association of Canada, "The Minerals Industry and Canadian Economic Growth", p. 9).

(c) Labour, Employment and Training

The connection between labour and productivity is obvious, so much so that labour productivity is commonly - and mistakenly - thought to constitute productivity in its entirety. Several submissions made the point that productivity would improve significantly overall if governments took an active role in helping achieve better labour relations in the mining industry (British Columbia Resources Investment Corporation, p. 8669; Cominco Ltd., p. 10090, p. 10157; Mining Association of Canada, 'The Minerals Industry ...', p. 11). Others warned that the achieving of increased

labour productivity should not be overestimated, as it alone cannot solve Canada's major economic problems (Tom de Fayer, pp. 30-31).

Though it may be true that governments are no longer expected by the average citizen to create jobs (Donald Johnston, p. 4), the workers certainly do expect the help of governments in keeping their jobs. The emphasis on increased productivity outlined above made labour spokesmen distinctly uneasy. As Gerard Docquier eloquently pointed out, technological change and greater productivity frequently meant merely the displacement of labour by other factors of production, and the growth of unemployment (United Steelworkers of America, p. 17). The Mining Association of Canada made the same point, saying this could occur even if accompanied by growth ('Internationalization and Industrial Adjustment', p. i):

> Efforts to enhance national productivity may result in labour displacement in many established sectors even if these industries experience continued growth. Thus greater diversification of the national economy is required if employment opportunities are to be expanded.

The traditional labour response to this situation is to ask governments to ensure that full employment, rather than "maximum productivity", be the prime goal of both public and private sectors (United Steelworkers, p. 1). Given the ostensibly structural changes engulfing the industry, however, and the perceived need for drastic improvements in productivity, many submissions - particularly from the employers - recommended that governments get actively involved in encouraging the retraining of workers. This was the one area in which the Business Council on National Issues was prepared to relax its opposition to government planning initiatives in the economy, calling (pp. 37-8) for the federal and provincial governments to

> spare no effort to devise a more coherent national policy in respect of education, skill training and retraining ... In our view this may be the most important industrial policy challenge of the next two decades.

The mining associations made the point equally strongly for their own industry: governments should pay for a significant part of the retraining through a public fund (Mining Association of British Columbia, Hearings, p. 206);

governments "must assume prime responsibility for the retraining and redevelopment of displaced workers", a social problem which is described as urgent by the Mining Association of Canada ("Internationalization and Industrial Adjustment", pp. 14, 16). And the professional association, the Canadian Institute of Mining and Metallurgy, made an urgent appeal (pp. 1-2) to governments, industry and learning institutions to collaborate to keep alive the capability of training sufficient mining professionals for the future.

Labour organizations responded to the issue by demanding that workers be involved in the retraining process and compensated for changes they had to endure (United Steelworkers, pp. 2, 23). Overall, however, labour had no systematic response to these concerted and widespread suggestions that mine workers be retrained for higher-skill jobs in mining, or for jobs in other sectors of the economy.

(d) Science and High Technology

The need for education and research was also seized on by specific interests in the academic lobby as well as other interested parties. It was recommended that a single, integrated research and development centre for Canadian mining be situated, with the help of government funds, at Laurentian University, Sudbury, Ontario and strong words were used to criticize the alleged lack of such a facility in Canada (Goldsack, pp. 4, 8).

High technology and technical knowledge generally - when combined with Canada's natural resources - were seen to be a significant factor in Canada's comparative advantage in mining (Mining Association of Canada, Challenges and Opportunities, p. 5; Atlantic Provinces Economic Council, A. Bruneau, p. 4383). Contrary to the opinions of many who dichotomize mining and "high technology" industries, mining itself was said to be an industry which is significantly oriented towards high-technology (Mining Asscіation of British Columbia, "Submission" p. 9). Canada should be more prepared to take the opportunity to apply technology invented by others where relevant (G.A. Jewett, Hearings, p. 11988). Moreover, Canada should export mining technology itself, as distinct from the product produced by it (Michael Goldberg, p. 10).

The traditional informational and scientific services provided by government were tacitly supported by most submissions, and in addition received a strong endorsement from the Saskatchewan Mining Association ("Brief", p. 3):

> One area where industry believes government should be involved is in providing a geologic data base by the collection, processing and dissemination of geoscientific data. This is an essential service that acts as an incentive for industry to explore in a particular area. This matter has recently been the subject of a brief to the Provincial Ministers of Mines ... Research into instrumentation and methods of exploration may be considered an important joint venture between governments, the scientific community and industry.

While this seems on the face of it to go outside the Mining Association of Canada guidelines on acceptable government role in research (quoted above) it nevertheless seems to reflect a broad consensus on the value of at least some government programs which are not focused exclusively on establishing a profit-making venture, or supporting one.

Conclusion

It should not be concluded from the above that the mining companies and their spokesmen had nothing to say about what they proposed to do for themselves, as opposed to asking for help from governments. In a large number of areas (including diversification and mining machinery manufacture; productivity enhancement; job creation; labour; sunset industry comparison; and trade links), submissions also outlined what the industry could do for itself. The Mining Association of Canada's "Internationalization and Adjustment", for example, made a sustained attempt to delineate the respective roles of industry, governments and others.

One should add, however, that a good number of these submissions were inclined to self-exhortation and display a gritted-teeth optimism based more on faith than on detailed projections into the future. They do not, in general, attempt to outline detailed strategies for the industry, and how these would affect the industry's relationship to future federal economic planning.

Overall, moreover, it was significant that some of the major representations, such as those from Inco Ltd., the Mining Association of Canada, and BP Selco accepted the indispensability to the industry of close collaboration with governments. This has, of course, always been true; but

the public recognition of the indispensability of governments to the industry does represent a significant shift from recent years, probably spurred in part by the harsh necessity imposed on the industry by the recent recession.

4. PLANNING AND STABILITY

The specific areas of concern addressed in chapter 3 are ones in which interest groups asked government to act fairly directly for their benefit, either by intervening or by not intervening. Though the bulk of all the submissions to the Macdonald Commission fitted into that category, a fairly large number also sought to deal with more general issues the object of which would be to benefit broader Canadian interests.

A great deal of attention, for example, was given in the submissions to the issues of economic planning and stability. There was a broad consensus among those making representations concerning the mining industry, for example, that governments had and would continue to have, an important planning function.

Industrial Strategy

A major qualification to governments' planning role, made by many, was that they should concentrate on long-term planning and strategy, rather than attempting to impose and enforce detailed blue-prints on sectors of the economy (Canadian Association for the Club of Rome, pp. 2, 3, 4; H.N. Halvorson, pp. 4-6; North-South Institute, p. 15; Placer Development Ltd., p. 5).

This is not to suggest, however, that submissions were necessarily confident of governments' capacity to plan. Placer Development, while conceding the need for "effective long-term economic strategy", explicitly asked for the transfer back of economic planning functions from government to the private sector. The swing to government occurred over the past 30 years and to some extent exacerbated past failures of government economic planning (p. 3):

> The present Royal Commission may be considered a result of a long succession of failures by the Canadian government to develop reasonable and effective long-term economic objectives.

Should long-term economic planning amount to an industrial strategy? There were both strong supporters of such a policy (Canadian Institute for Economic Policy, p. 11612) and strong opponents (Donald Daly, pp. 11625-6). The mining spokesmen, however, generally argued that "industrial strategy" has come to mean that governments

pick winners in manufacturing, rather than mining, and subsidize or actively support them (Mining Association of Canada, Challenges and Opportunities, p. 7). Not surprisingly, then, they were cool to the idea of an "industrial strategy", and generally went along with the general criticism of the effectiveness of industrial strategy (Daly, pp. 11625-6):

> On the question of industrial strategy ... I have two concerns. It very frequently offers a degree of more active government intervention, but this is an area which, very frequently, government does not have the information to permit them to make identification ahead of time of potential areas of strength. They cannot pick the winners .... All too often industrial policy ends up propping up the losers rather than helping the winners.

One of the Commissioners, Clarence Barber (a professor of economics), focused on the issue of which sector should benefit, and asked if mining and other resources, which have been regarded in the past as "the leading edge of growth in the economy", should be supplanted in economic planning by "certain sectors of secondary manufacturing". He pointed out that "large sectors of the mining industry (were) in disarray" (Hearings, Toronto, p. 11611).

Another Commissioner, Gerard Docquier, made a submission on behalf of the United Steelworkers of America and, at the same time, criticized the terms of reference of the Commission, which he felt shied away from the crucial importance of the unemployment issue (United Steelworkers, p. 12). Docquier argued that governments should learn from the experiences of the Great Depression and intervene more, rather than adopt the 'no-can-do' attitudes of Reaganism and Thatcherism.

An important underlying issue was the relationship of planning to stability on the one hand, and flexibility on the other. Submissions generally emphasized the need for long-term government economic planning which would supply the stability for successful business planning; but some also emphasized the need for flexibility and adaptation.

The latter group argued for a long-term economic strategy which "recognize(s) the dynamics of the free enterprise system" (Placer, p. 6) and suggested that the "best industrial strategy that Canada could pursue would be to encourage mobility and flexibility in every corner of the economy" (Mining Association of British Columbia, "Submis-

sion" p. 10). This amounts to advocating "facilitative economic planning", rather than interventionist planning, backing winners and losers.

Two reasons were given for preferring this type of planning. The first was that governments were simply not very successful planners, and should therefore ensure "that long-term economic objectives established for Canada be designed to maximize the benefits available from and not to frustrate the efficient operation of the free market system" (Placer, p. 6).

The second reason was that governments, and societies, just cannot afford detailed planning and support of sectors during a period of adjustment (Mining Association of Canada, "Internationalization and Industrial Adjustment", p. 7):

> Governments must establish broad policy objectives that offer maximum incentives and flexibility to individuals, companies, and the institutions of government to make the adjustment necessary for economic survival. Beyond this it must be recognized that governments simply cannot be expected to finance or underwrite, in any substantial way, the costs of the adjustment process, without cutting their expenditures in other areas.

In other words it was hoped that less interventionist economic planning would result in a reduction of governments' revenue needs, and a corresponding reduction of their revenue demands on the private sector.

Macro-Economic Policy

"Facilitative, non-interventionist industrial strategy", in spite of its growing support, is something of a contradiction in terms. It may be that all it means ultimately is something like "supportive macro-economic policy". Macro-economic policy and government intentions as expressed by such policy have, as The Mining Association of Canada (Challenges and Opportunities, pp. 23-4) pointed out, a definite effect on investment climate. Donald Johnston, then federal Minister of State for Economic and Regional Development and for Science and Technology, suggested that stable macro-economic policy leads to a favourable investment climate (p. 6). But he also pointed out that governments have less control than was thought in the 1970s

(p. 5), that they need to create a climate of adaptation (p. 8). The difference between facilitative and interventionist economic strategies, he argues (p. 8) is ill-defined and tenuous.

> In practice, the borderline between helping some firms directly and supporting business in general is not well defined. To support technology, for instance, governments have to define what technology is and decide which research projects to support . . . Use of the tax system tends to make for a less selective and more natural strategy than reliance on grants and subsidies.

The distinction between facilitative and interventionist strategies, then, is connected ultimately to differences in the policy instrument used and the generality of their application. Macro-economic policy tends to be the instrument of facilitative strategies (e.g. across-the-board changes in the tax structure, or exchange rate policies) while regulatory-style policies are seen to be the instrument of interventionist strategy.

One area of macro-economic policy which has had a major effect on mining in the early 1980s has been exchange rate policy. Some have even started to argue in 1985 that the problems of the Canadian mining industry are as much, or more, cyclical than structural. The last cycle has been hidden by the strength of the Canadian dollar against all currencies except the U.S. dollar, which has understated price advances (and exaggerated price declines) in Canadian dollar terms.

There were few submissions to the Macdonald Commission in 1983-84 on the effect of the exchange rates on mining, but some had already begun to focus on their importance. Commissioner Clarence Barber asked at the Resources Management Theme Day hearings at Saskatoon (22 November 1983, pp. 10143-4) whether there is a "Dutch Disease" effect: strong resources lead to a strong exchange rate which squeezes manufacturing, followed by a weaker resources industry, lower exchange rates and more buoyant secondary industries.

The mining associations said the Canadian position was in fact very different. Because of Canada's dependence on the USA as a market, Canadian devaluations against the U.S. dollar had been vital at specific periods in keeping the industry alive (Mining Association of Canada, 'Hearings', p. 13911). The Mining Association of British Columbia quoted calculations that a 5-percent drop in the Cana-

dian dollar (i.e. from 82¢ U.S. to 78¢ U.S.) would produce a short-run increase of 38 percent in its members' profits. It recommended therefore that tariffs and other protectionist measures be limited because they kept exchange rates artificially high and held down wages and profits in export sectors such as mining ("The Benefits of Trade ...", p. 5). It concluded (p. 10) that

> the foreign exchange rate must be permitted to play its appropriate role in helping the Canadian economy to adjust to new developments on the global scene, just as changes in the yen exchange rate were part of Japan's adjustment to the oil price shocks.

Another area of macro-economic policy concerning the mining industry was the argument that it is essential to maintain or increase government deficits in an era of high unemployment (e.g. Docquier's argument in the previous section). Such measures were seen to create higher demands on social services and other expenditures, and a greater demand for capital and money market funds. This in turn creates greater demands for revenue from, among others, the mining companies, and has a "crowding-out effect" on money and other markets in which the private sector is squeezed by the expansion of the public sector.

With this in mind, the Mining Association of Canada suggested ("Internationalization and Industrial Adjustment", p. 18) that an overall cap be placed on government expenditures. Perhaps prematurely, it proposed the mining industry as a model for such a policy:

> Recent industry experience may provide a useful guide for government actions in controlling expenditures. Industry found surprising scope for cutting costs once market-imposed spending ceilings were firmly established. It may be that unless governments face the same binding pressure that results from the imposition of expenditure ceilings, efficiencies in their operations and reduced public spending will not materialize.

National Mineral Policy

The debate about the feasibility and desirability of Canadian mineral policy reaches back into the 19th century.[1] In the

1. See David Yudelman, Canadian Mineral Policy, Past and Present: The Ambiguous Legacy (Kingston: Centre for Resource Studies, 1985).

1970s, during the resources boom and bust and the federal-provincial disputes about revenues, it became a major issue. In March 1982, the federal government published a major discussion paper on the topic,[2] to which the mining companies responded in some detail.[3] Thus, while still of major importance to the industry, the issue of the formulation of a national mineral policy had at the time been well-aired. Perhaps for this reason, mineral policy issues were not the focus of representations to the Macdonald Commission. The submissions focused rather on issues such as productivity and training. Nevertheless there were a number of submissions on the topic which take the issue further. Both the debate and the issue are still alive and will continue to be for some time.[4]

Some proponents of economic development policy have suggested that it can be sufficiently neutral to eliminate the need to consider sector-specific policy, such as "mineral policy" or "oil policy" or "manufacturing policy". The Business Council on National Issues, for example, suggested that part of the reason for these policies has been the tendency to focus industrial strategy on the manufacturing sector, forcing other sectors to devise their own policies (p. 37):

> ... a singular deficiency of the analysis offered by industrial strategists is that it almost wholly ignores industries outside the manufacturing sector, even though the latter accounts for less

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2. Energy, Mines and Resources, Mineral Policy: A Discussion Paper, Report M81-1E (Ottawa: Supply and Services Canada, 1982).
3. Summarized in David Yudelman, Canadian Mineral Policy Formulation: A Case Study of the Adversarial Process, Working Paper No. 30, (Kingston: Centre for Resource Studies, 1984).
4. In recognition of this, Energy, Mines and Resources Canada published yet another discussion paper on this topic, after the election of the new federal Progressive Conservative government. Entitled The Canadian Minerals and Metals Sector: A Framework for Discussion and Consultation (Ottawa, 1985), it is more a genuine discussion paper than its 1982 predecessor. Although it avoids the explicit use of the term "national mineral policy", it aims at eliciting the industry's problems and opportunities in relation to the Government's new economic priorities.

> than a quarter of the workforce. Canadian industrial policy can scarcely afford to overlook the resource, resource-related and burgeoning service sectors of the economy. We believe that industrial policy, and indeed economic policy more broadly, should largely take the form of what have been termed 'target-neutral' policy measures ... designed ... generally to create a stable economic climate conducive to investment, innovation and industrial adaptability.

Spokesmen for the mining industry, however, tended to take a less utopian view of the possibility of an economic development policy which is composed merely of macro-economic instruments, and is sufficiently "target-neutral" to be non-sector specific. Thus some advocated a specific national minerals policy (BP Selco, "Submissions" p. 24, Hearings, p. 12677; Inco Ltd., "Submission", p. 3; United Steelworkers, "Brief", p. 27; Cape Breton Development Corporation, p. 3068; Ken Wilkinson, p. 4). As BP Selco put it (Hearings, p. 12677):

> ... we need the formulation and the following in Canada of a consistent national minerals policy. We have a national minerals policy vacuum at the moment, and I think we can and must get a coherent policy that reflects the structural changes we are facing ...

It was, however, recognized that such a policy can only operate effectively to the extent to which it conforms to the wider goals of economic policy (BP Selco, 'Hearings', p. 12690:

> *Commissioner Shoyama:* I take it that the dream world would also call for, perhaps, greater uniformity or at least unification of federal and provincial policies in other areas ...?
>
> *Mr. MacCulloch:* Yes, indeed. My point about the national minerals policy is that we need such a policy, but that it can only be made in terms of a national economic policy as an umbrella of direction for this country as a whole which will commit different sectors, one of which is mining, to seek its own direction.

Given the perceived need for a national mineral policy, what should it contain and how much priority should it be given? In general, though many of those making submissions had asked for concrete and specific help in a variety of areas (see chapter 3), in talking of mineral policy overall, they favoured a facilitative mineral policy. This was particularly true of the large companies and their spokesman (Falconbridge Ltd., p. 11; Inco Ltd., p. 3; Placer Development, p. 5; Mining Association of British Columbia, "Submission" p. 10).

The Mining Association of British Columbia and Placer Development emphasized their opposition to governments' taking it upon themselves to pick winners. Placer Development expressed its opposition in strong terms and explained that it resulted from a general scepticism of government planning (p. 3-4):

> The present Royal Commission may be considered a result of a long succession of failures by the Canadian government to develop reasonable and effective long-term economic objectives. One need only consider the twists and turns which the efforts to establish an industrial strategy have taken over the past few years, from a strategy focussed on mega-projects, to a strategy based on picking technological "winners", to a non-strategy made up of un-integrated sectoral objectives. The decade-long series of false starts in mineral policy is another example of the government's inability to set long-term objectives. Few of these abortive policy initiatives would likely have proven effective over the long-term, and the government's failure to implement them should not be regretted. Yet the inability of government to develop effective long-term economic objectives must still be regarded with concern.

The Mining Association of Canada came to the same conclusion about the ultimate necessity for a consistent government strategy in dealing with minerals. The industry by itself, it argued, can only "ensure the survival of the most competitive core of the Canadian industry" ("The Minerals Industry and Canadian Economic Growth", p. 14). "There are", it pointed out, "some things that only government can do to ensure the full realization of Canada's resource development potential". The areas in which a government role is pivotol include international marketing

(where it alone can deal with market access problems and subsidization of competitors by foreign governments); overall investment climate (determined by macro-economic and socio-political policy); and productivity (assistance both with research and development and in reducing the non-profit cost burdens placed on the industry).

Finally, mineral policy must be able to mobilize popular support for mining. Governments, it was argued, need to take up a favourable attitude to mining and manifest it in public to create a more favourable investment climate; they should also play a role in creating public confidence in mining (Cominco, p. 10110; Mining Association of Canada, Hearings, p. 13894).

Northern and Regional Development

Mining is central to both northern and regional development. It is geographically diverse, spread out across the country in a way unequalled by any other significant industry. Its undoubted importance to these areas notwithstanding, many in the industry regard its geographic diversify as a weakness preventing it from mobilizing strong "sponsors" (as, for example, oil and gas does in Alberta, or manufacturing does in Ontario and Quebec).

This perceived weakness, however, could theoretically be turned into a strength in any situation where northern and regional development policies become a high priority for governments, particularly the federal government. A number of submissions attempted to argue for precisely this development, but few if any suggested a systematic strategy which governments might have found politically palatable.

The definition of regional policy, however, was the occasion for some discussion and even consternation among the Commissioners. The chairman, Donald Macdonald, asked during the hearings at Halifax whether one should distinguish regional and provincial policy. He conceded that there are regions within provinces, and regionally-identifiable problems which transcend provincial boundaries. Nevertheless (p. 4371):

> ... I am really driven ultimately, when we are talking about public policy actions to think that a regional development policy really has to be based on the provincial unit rather than a larger unit.

Commissioner Laurent Picard feared the incoherence of regional policy and asked for opinions on "the trade-offs between the power and simplicity of a national policy and the diversity of the region" (Ibid., p. 4379). Commissioner Albert Breton observed that there are a "multitude of regions and they are defined essentially by the problem one looks at" (ibid., p. 4389), and reiterated that, in terms of public policy formulation and implementation, the practical units were the provinces. And Commissioner Thomas Shoyama argued that regional policy-making was a highly politicized process which called upon governments to intervene and disrupt "natural economic forces" (ibid., p. 4386).

There are two issues here which pose problems for regional and northern policy: first, whether they are not by their very nature interventionist rather than facilitative policies; second, whether they should be provincial (or territorial) policies, rather than national policies.

The first issue is not necessarily a problem to those who have no ideological objection to seeking federal intervention, for example the governments of Yukon and the Northwest Territories, the Thompson Industrial Commission; United Steelworkers of America ("Brief", p. 19); the Northern Canada Power Commission (pp. 4, 6); and the Cape Breton Development Corporation (pp. 3068-9). A very clear case of the need for an openly interventionist regional policy, rather than an ostensibly facilitative policy, was provided by a labour member of the Atlantic Provinces Economic Council Panel, Paul LePage. In a hypothetical choice between "facilitative" infrastructure and a zinc refinery, he said, the latter took precedence (pp. 1360-1):

> If you were to ask the people in northern New Brunswick ... would they give up funding for tourism and roads and what have you in exchange for a zinc refinery? That would give us permanent employment over the long term. We would be inconvenienced by not having the tourist facilities and the highways and all of the infrastructure ... but at least we would have long term employment and it would be beneficial to that particular area.

On the other hand, for those who strongly advocate facilitative (and oppose interventionist) policies for basic economic and ideological reasons, the issue of northern and regional policy can create contradictions. Some of them are companies which, although they want to limit government

economic planning to macro-economic facilitation, nevertheless still want governments to build infrastructure to and in the north and remote regions, and they still want special tax breaks to enable them to attract the right kind of workforce to their remote projects and to make profits.

Thus, the companies and industry spokesmen were forced to confront the issue of interventionism and remote regions policy, and some did so directly. BP Selco argued cogently ("Submission", p. 11, 22; Hearings, p. 12681-3) that 40 percent of Canada lies north of 60 degrees, but only 3 percent of its mines. The potential of the area is enormous, but it is socially and economically disadvantaged. Therefore there is a case, both for reasons of self-interest and equity, for government "initiatives" in remote areas, which should be financed by the taxpayer as a whole rather than by the mining industry ("Submission", p. 22):

> If the government wants northern development, the initiatives it must take are to put in place at its expense infrastructure and transportation so that commercial investment in the north is no more onerous than commercial investment in the south. Mining in the north can no longer carry the capital and operating costs of providing in the north, at its expense, the infrastructure systems that are publicly provided in the south.

Inco Ltd. argued in similar fashion that the history of northern and regional development in Canada has been dependent on the history of mining (p. 5), that the development of major centres such as Sudbury and Thompson have been stories of successful government-industry cooperation (pp. 3, 26), and that government should seriously consider perpetuating policy measures such as the non-taxation of subsidized lodgings and travel allowances known as "northern allowances" (p. 23). Another large company, Cominco, called for "a comprehensive and constructive transportation policy for the north if we are to participate appropriately in serving the world's needs for metal" (p. 10090). The Mining Association of Canada also recognized the necessity for an interventionist government policy in the north comprising "clear policy support and incentives to offset ... high costs" (Challenges and Opportunities, p. 11), as did the spokesman for the smaller companies, the Prospectors and Developers Association ("Brief", p. 9) and the Yukon Chamber of Mines (pp. 2, 4, 5).

In addition to the problem of the uneasy and tenuous distinction between facilitative and interventionist policies in

the remote regions, there is another general issue: whether northern and regional policies are or should be a national or a provincial issue. Or, should regional and northern issues be primarily dealt with from the local or national perspective?

Once again one sees a tension between specific and general interests. Various representations taking the broad view called for the development of a consistent and coherent national policy, with the region or province specializing in its economic fields of comparative advantage without any undue interference by, or support from the federal government (Donald Johnston, pp. 9-10; Ken Wilkinson, pp. 3-4; Michael Percy, p. 10067). The North-South Institute put the issue crisply. What is needed, it argued, is "nothing less than the articulation and pursuit of genuine 'national interests' in place of endless ad hoc attempts to placate narrow sectoral or regional interests without reference to the relationships among them ..." (pp. 15-16).

On the other hand, those with specific interests in the north or regions who could benefit from federal government intervention (whether solicited by interest groups, provincial, or territorial governments) find it difficult to take such a global view of northern or regional policy. The tension can be acute, and even leads on occasion to a submission both for a national policy and for the placating of very specific regional interests (e.g. Mining Association of Canada, Challenges and Opportunities, pp. 7, 11). The only way the dilemma can be resolved is to argue that the regional or nothern interest is the national interest.

Only the submissions by BP Selco and Inco Limited attempted to do this in a convincing and extended way; but the issue is such a large one that it needs to be argued in a far more detailed and sustained fashion - and on the terrain of party politics as well - if the federal government is to be moved by it. Until then, representations to the federal government asking for incentives and aid for northern and regional development will continue to be, in effect, representations for interventionist policy by special interest groups.

5. CONSULTATION AND COLLABORATION

> *Having lost the institutional capacity to deal with industry as a whole, governments deal with it on a piecemeal basis, with apparently little concern for or analytical capability to evaluate the full impact of their initiatives. This problem is further compounded by the fact that neither level of government has a sufficient constitutional mandate to effectively manage overall government relations with the industry.*
> - *Mining Association of Canada, Challenges and Opportunities, p. 7.*

A vast number of submissions, both on mining and other topics, dealt with the issue of consultation. Not surprisingly, more consultation was almost unanimously considered to be a good idea and few, if any, attempted to define its limits and weaknesses, and the procrastination effect it can have on policymaking. It is not proposed to attempt to deal in any detail here with the issue, but merely to consider briefly three areas in which concrete suggestions were made regarding consultation and collaboration: federal-provincial relations; government-industry relations; and tripartite government-labour-industry relations.

Federal-Provincial Relations

The clashes between the two levels of government clearly frustrated a number of those making representations on mineral policy. These clashes were particularly marked in specific areas where overlapping jurisdictions created problems. Although the Thompson Industrial Commission explicitly dissociated itself from government-bashing, from the tendency to expect government to do everything and to blame it for everything that goes wrong, it confessed ("Submission", p. 20) to being:

> frustrated by inter-government "wrangling" ... in some of the most critical areas ... transportation, energy, environmental control, communications, or health we stumble on what appears to us as a continual internecine struggle of bureaucrats instead of people and industry-oriented services! ... it is critical that some overlapping jurisdictions be sorted out!

The Mining Association of Canada and BP Selco, referring specifically to mining, agreed (Hearings, p. 13899; "Submission", p. 11), and Inco Ltd. pointed out the benefits which would be reaped by a greater uniformity of regulation across provincial boundaries, and between federal and provincial governments ("Submission", p. 25). The Mining Association of Canada suggested that one way around the problem of coordination would be to make a single federal government department, Energy, Mines and Resources, and a single section within it, the Ministry of State for Mines, responsible for all dealings with the industry. The institutional problem is (Challenges and Opportunities, p. 11):

> to strive for a better balance of bureaucratic muscle between the diverse horizontal interests of governments, and the ability to protect the economic viability of the sector.

Thus, at the federal level, the mining industry needs to be able to communicate with one government spokesman who has responsibility for the horizontal interests (e.g. taxation) as they affect mining, as well as areas such as the energy minerals, coal and uranium, and mineral development North of 60 . Similar institutional structures were suggested for the provinces.

An even more radical solution was suggested by BP Selco, which called for an agreement between each province and the federal government which mutually decided on a single spokesman (Hearings, p. 12685):

> . . . there should be a treaty between each province and the federal government so that there is one coherent government body, and one interface between industry and government dealing with the terms under which any natural resources develop. For us in industry, it would be so much simpler to make investment decisions, because we would be dealing with one set of guidelines only, not two conflicting ones.

The general trend to province-building, and attempts by provincial governments to force diversification and further processing on their resource industries, was also touched on. It was seen as negating free competition, free trade, and natural resource specialization advantages; and, in addition, as a negation of confederation (Michael Percy, pp. 10073-75).

The issue of the sharing of mining resource rents received little attention relative to its explosive political potential. BP Selco "flew a kite" with a suggestion that the provinces continue to own the resources, share tax revenues and allow the federal government to regulate development and production (Hearings, pp. 12684-5). And a panelist pointed out that total sharing of resource revenues might be a disincentive to development as the provinces could get increased benefits through equalization payments as their resource revenues decrease. The other extreme would be the total capture of resource revenues by the province within which the production of the resource occurred. In such a situation the province might take all the revenues but be required to pay the social costs of labour migration, which could be vast (Paus-Jenssen, p. 10085).

Government-Industry Relations

The issue of government-industry relations in the mining industry was more remarkable for what was not said than for what was. In spite of the mining companies' traditional expressed preference for laissez-faire treatment of the industry, there was almost unanimous agreement that a government-industry partnership was essential to deal with current crisis conditions in the industry.

The issue of consultation was dealt with in the previous section and will not be detailed here. The Canadian Chamber of Commerce observed an improvement over the often bitter business-government relations of the mid-1970s, but observed that more consultation with the mining industry was still necessary (p. 71). The Mining Association of Canada and BP Selco made the point several times that in the changed circumstances of the mid-1980s, and given the burgeoning size and complexity of governments, very close consultation is necessary for the development of a cohesive policy (Mining Association of Canada, "Internalization and Industrial Adjustment" p. 2; Hearings, p. 13910, BP Selco, "Submission" p. 8, 25).

To some extent, each went further, and seems to be suggesting private consultation between the industry and government before proposals are exposed to public debate (Mining Association of Canada, Challenges and Opportunities, p. 12; BP Selco, "Submission", p. 24). There is considerable historical precedent for this, and such early consultation has taken place in the 1980s as well. But it has clearly become sporadic and unreliable enough for industry

spokesmen to feel the necessity to request it publicly, albeit in a veiled way.

Tripartite Relations: Government, Industry and Labour

Labour, as we have seen in previous chapters, did not distinguish itself by the quantity of its representations on the mining industry. With some notable exceptions, one of which has been discussed above, labour also did not distinguish itself by the depth of its representations.

There were the usual predictable calls from labour sympathisers for a tripartite partnership in which government, labour and business operate on an equal basis (United Steelworkers of America Local 6500, p. 1; Moderator F. MacKinnon, Hearings, Halifax, 12 October 1983, p. 4409; North-South Institute, p. 15). There were other calls for active collaboration of the three, but not necessarily on an equal basis (Falconbridge Ltd., p. 1; Inco Ltd., pp. 2, 31; Mining Association of Canada, Hearings, p. 13898).

Allan Blakeney advocated a solution to the present economic malaise which he called "the consensual solution". Such a solution would give distinct roles to each party in the tripartite relationship: business would be required to restrain prices, labour to restrain wage claims and government to attempt to generate greater economic activity, "secure in the knowledge that such action will not trigger inflation" (p. 10540).

Blakeney argued that such a policy, which he did not explicitly identify as a wage and price control policy, had worked elsewhere, but that each member of the tripartite group in Canada needed to become more nationally representative of its constituency: the country needs an improved and more representative Parliamentary system, a more united and nationally-representative labour movement, and a more united and "Canadian-oriented" business community.

Blakeney conceded that such a policy would be dismissed as unrealistic but that, with sufficient political will, it could be effective. His case was supported by the North-South Institute's submission which pointed out that the international challenges facing Canada had the effect of bringing governments, business and labour closer together, and could do so even more strongly (p. 16).

Overall, however, Canada as a whole and the mining industry in particular seemed to be a long way from any sustained and serious corporatist tripartite strategy. The Japanese and West German examples were looked at with

some longing, but the institutional and historical differences and constraints were seen to be so large as to render such a strategy somewhat fanciful.

6. CONCLUSION

The ground covered by the submissions on mining to the Macdonald Commission has been dealt with in some detail above, and it is not proposed to attempt a substantive summary here; but it might be of some interest to suggest very briefly how the submissions fit into a wider context. The representations about mining to the Macdonald Commission can be looked at in two distinct ways:

1. what do they tell us about the Macdonald Commission and the way it perceived itself?
2. what do they tell us about the mining industry and the way it perceived itself?

The Submissions and the Commission

Royal Commissions are notorious as a device used by governments either to shelve an issue indefinitely or to depoliticize it by a surfeit of all-party, all-group consultation. It can happen, however, that the Commissioners and their staffs give the governments who appoint them more than they asked or bargained for: Royal Commissions have a great deal of freedom and flexibility and, equipped with talented personnel, sufficient financing and time, they can often come up with findings of lasting importance.

The Macdonald Commission was not ostensibly short of talent: its Commissioners were eminent and well qualified (though it has been suggested that there were too many Commissioners (13), and too many fundamentally opposed points of view entrenched within them, to produce any coherent new strategy for Canada's economic future). The Commission was not short of money: a great deal has been made, not only of the Chairman's $800-a-day salary, but of the Commission's seemingly endless funds for wide-ranging academic research. This research was of considerable interest in itself, sufficiently interesting for the University of Toronto to schedule no less than 72 booklength publications of Commission research, which will begin to be released simultaneously with the Commission's Report. But the research was also, according to some staff members, not sharply focused to the Commission's mandate, and therefore of limited use to the Commissioners and the ghostwriters who had the unenviable task of drafting the final report. Finally, it would be fair to say that the Commission was not short of time. It was appointed in November 1982, and will probably report back finally in September 1985.

Formidable resources have been ploughed into the Macdonald Commission, and it would be a mistake to accept too easily the facile dismissals already heaped on it. There is little doubt that, in its origins, it was a somewhat desperate diversionary strategy by a federal government very short of ideas, and rapidly losing support. But this does not signify in any way that the total enterprise was doomed at its outset, as its detractors argued. The very desperation of the government, in fact, was a powerful incentive to the Commission: this could have meant more attention would be paid to the Commission than Royal Commissions are wont to receive. Nor does the new federal Progressive Conservative government yet have so definite or coherent an economic strategy - to put it cautiously - that it would not now benefit from and use any powerful, incisive and visionary report that might emerge from the Macdonald Commission.

Given all the above, the final Report should be both carefully considered and judged by the highest standards when it does emerge. Here it is only proposed to ask one or two questions about a specific aspect of the Commission's work, the public submissions, and to express some advance misgivings about the way they were collected and about the difficulties the writers of the Report must have experienced in attempting to utilize them.

The most important and intractable problem was the way the hearings were structured into two rounds, the second coming after the interim report of April 1984, Challenges and Choices. The interim report was not a true interim report, but rather an agenda for submissions or research, a framework of reference for representations. Given this, one would have expected the bulk of the submissions to have been concentrated into the second round of hearings, focused on the issues identified by the Commissioners and therefore contributing directly to the Commission's work and final Report.

Unfortunately, the opposite was true: there were 1164 submissions in the first round and only 352 in the second round. There were 31 submissions focused specifically on mining in the first round, and five in the second round. Moreover, in mining at least, the major submissions came in the first round.

Finally, the Commissioners interviewed people in the second round by invitation only. In spite of the open invitation in Challenges and Choices, there was no general seeking out of submissions during the second round. The exhaustion of 1164 briefs, and more than 500 separate appearances at hearings over 57 days in 28 cities, had set in and the second round became a pale shadow of the first.

This is significant to the Commission as a whole in that the bulk of the submissions - which, after all, should comprise (with the research) the total input to the Commission - were relatively uninformed of the needs of the Commission. It also meant that the Commissioners had trouble at the first round hearings in asking pointed and focused questions though, to be fair, it is not clear that they improved markedly after the publication of Challenges and Choices.

The net result of all this was a stupendous and stupefying body of diverse opinions and miscellaneous data, with the transcripts of the Hearings alone running to 19,791 pages (15,831 in the first round, 3,960 in the second round). The Commission staff valiantly attempted to impose some order on this material by an extensive system of content analysis, breaking down the material into short extracts dealing with nearly 300 predetermined topics. But even the breakdown consisted of nine bulky volumes. Volumes 1 and 2 alone take up 2000 pages of small type text.

A number of factors lead one therefore to conclude that, whatever the intentions of the Commissioners, the submissions were very unlikely to have contributed significantly to the kind of material necessary for a Royal Commission to develop a durable strategy for Canada's economic future. It seems most probable that the Commissioners realized this at a comparatively early date, but it is possible they continued to hope that the inchoate and chaotic material would jell spontaneously at some stage.

Overall, it seems reasonable to question whether the way the submissions were collected constituted the best possible use of the resources both of the Commission, and of those making representations to it. There will, no doubt, be a liberal sprinkling of extracts from the submissions throughout the final Report; but a great deal of doubt will remain as to whether they contributed in any really meaningful way to the Commission's findings.

Finally, though the quality, range and relevance of the Commission's massive research effort cannot yet be judged, it seems unfortunate that the research was not timed to have any impact on, or interaction with, the submissions. The research studies were not yet available to the Commissioners when they prepared their "interim report", the discussion document Challenges and Choices.

Thus, the submissions could not perform what might have been their most valuable role: commenting with specialized and practical knowledge on specific, focused issues selected by some of Canada's finest scholars. What remains is arguably the worst of both worlds: submissions which are not sufficiently shaped by scholarship; and

scholarship which is not sufficiently informed by the real-world practitioners gathered together at such expense to the taxpayer by the Macdonald Commission.

What is true for the submissions in general is also true for those focused on mining, with one qualification: the decision to publish a special chapter on resources in the final report of the Commission might mean the submissions on mining and resources have been more carefully considered than those focused on other issues.

The Submissions and the Mining Industry

Although the impact of the mining submissions on the Commission's final report is likely, nevertheless, to be minimal, the process of taking stock before committing the submission to paper was a valuable one for those who took it seriously. The Mining Association of Canada, for example, made several submissions and spun off other reports as a direct result of the initial impetus of the Commission. It clearly had a far better idea of the industry's role and potential, and its place in the Canadian economy, at the end of the process than it had at the beginning.

Such experience will not be (and has not been) wasted, as the new Progessive Conservative federal government still continues to follow a strategy of incessant and as yet relatively undirected consultation. Given that there will be powerful pressures eventually to formulate and implement some sort of overarching policy, those who expanded their knowledge of themselves and their policy environment in making their submissions to the Macdonald Commission will be favourably placed to participate.

Overall, submissions by the industry and those concerned with it gave a vivid picture of the industry in the mid-1980s. They highlight the difficulties faced by the industry in brutally competitive international markets, which are being transformed by new, low-cost producers and sluggish growth in demand in the industrialized countries. And they outline effectively the measures being taken by the industry to adjust to the structural changes being imposed on it by the international situation.

Having said this, it should be pointed out that most of the submissions concerning mining suffered from narrowness of focus amounting to parochialism. They made few concerted efforts to analyse mining's situation in the economy overall, and were therefore unable to justify their requests for incentives, support and special treatment by explaining why mining deserved this support more than the innumerable other groups requesting special treatment.

To do this would have required a detailed treatment of the issue of comparative advantage. Although Canada's comparative advantage in mining, and resources generally, has clearly been eroded internationally over the last decade, it is doubtful whether Canadian manufactured goods are even now in a strong position to compete internationally. While Canada might have no clear comparative advantage in mining, and no clear advantage in skills, technology and manufacturing, it could nevertheless enjoy a comparative advantage in its access to a combination of both.

Moreover, a major part of the Macdonald Commission's job (perhaps the major part) was to analyze Canada's comparative advantages and translate them into a durable economic strategy. Given this, the lack of attention to the issue of comparative advantage, and the superficiality of what was said about it, was little short of tragic. The blame must rest on the submissions generally, including the mining submissions, as well as on the shoulders of the Commissioners, who were supposedly heavily loaded with expertise in both academic and practical economics.

The extent to which the submissions openly seek support from government and unashamedly propose a partnership of industry and government was a significant and a definite change from the emphasis of the past few decades, when mining adopted a laissez-faire posture. Even during the period up to 1970, when mining received highly favourable treatment from governments relative to other sectors, it advocated laissez faire. The problems of the mining industry in the mid-1980s were seen as so serious that even a company such as Inco Limited advocated that governments stabilize the industry by giving it "special consideration and support" during its period of little or no growth. In exchange, Inco said the industry would be able to provide higher tax revenues and contributions to societal benefits during its next sustained period of real growth (Inco Limited pp. 2, 16).

Several submissions tried to distinguish between the government roles of facilitation (desirable) and intervention (undesirable), but the distinction tended to break down on the specifics. Government-backed northern and regional development, which went far beyond macro-economic facilitation, for example, was strongly advocated, including the building of (possibly uneconomic) infrastructure and the provision of special tax breaks.

Finally, the mining representations reflected the fragmentation within the industry. Sometimes this was expressed in an explicit clash of interest, for example between trade unions and employers, or between large and small com-

panies. The Prospectors and Developers Association, for example, accused governments of having followed outdated and inappropriate policies granting concessions and tax incentives to large resource companies which were not available to smaller companies (Prospectors and Developers Association, "Brief", p. 18).

Generally, however, the fragmentation within the industry did not emerge as direct disputes between groups making submissions, but rather through a lack of focused common concerns and goals among them. For example, only Falconbridge and Inco addressed the acid rain issue in a sustained way. (Noranda, the other major polluter, made no submission.) There are obvious reasons why the issue is more important to them than to others, as the policies of governments towards air pollution by the smelters of the two companies could affect the latter's very survival. Nevertheless, acid rain and mining's smokestack image is a problem for the industry as a whole. Umbrella organizations such as the Mining Association of Canada, the Mining Association of British Columbia, and the Prospectors and Developers Association, will have to deal with such problems directly in future if they wish to effectively argue the case for mining to anyone formulating Canada's long-term economic future.

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Appendix 1 CONTENT ANALYSIS CATEGORIES USED BY THE COMMISSION

1000 THE CANADIAN ECONOMY

1100 ECONOMIC PERFORMANCE
- 1110 Statistics
- 1120 Canadian Historic Trends
- 1130 Canadian Future Projections
- 1140 International Trends, Patterns, Projections
- 1150 International Comparisons
- 1160 Goals and Objectives
- 1170 Economics: Theory & Society

1200 ECONOMIC COMPETITIVENESS
- 1210 Productivity
- 1220 Wages and Incomes
- 1230 Quality Control
- 1240 Comparative Advantage
- 1250 Adaptability

1300 ECONOMIC UNION
- 1310 Canadian Common Market
- 1320 Mobility of Labour
- 1330 Mobility of Goods
- 1340 Mobility of Capital

1400 LABOUR & THE PROFESSIONS
- 1410 Employment/Unemployment
- 1420 Unemployment Insurance
- 1430 Professions
- 1440 Trade Unions
- 1450 Collective Bargaining
- 1460 Self Employment

1500 HUMAN RESOURCES
- 1510 Career Training and Retraining (Educational Institutions)
- 1520 Employee Development by Employer-Private
- 1530 Employee Development by Employer-Public
- 1540 Workplace Reorganizations and Job Sharing
- 1550 Job Creation
- 1560 Retirement

Appendix 1 (continued)

1600 GOVERNMENT INTERVENTION IN THE ECONOMY
- 1610 Federal Industrial Development Policies
- 1620 Provincial Industrial Development Policies
- 1630 Federal-Provincial Industrial Development Policies
- 1640 Science Policy
- 1650 Research and Development Assistance

1700 GOVERNMENT INTERVENTION (CONTINUED)
- 1710 Competition Policy, Combines & Monopolies
- 1720 Foreign Investment & FIRA
- 1730 National Energy Policy
- 1740 Promotion of Sunrise Industries

2000 SECTORS OF THE ECONOMY

2100 PRIMARY INDUSTRIES
- 2110 Energy - Non Renewable
  - 2111 Oil
  - 2112 Gas
- 2120 Energy - Renewable
  - 2121 Hydroelectricity
- 2130 Mining
- 2140 Forestry Products - Pulp & Paper
- 2150 Forestry Products - Other
- 2160 Fishing (Coastal)
- 2170 Fishing (Inland)
- 2180 Agriculture

2200 SECONDARY INDUSTRIES
- 2210 Heavy Industry
- 2220 Consumer Goods
- 2230 Textiles & Footware
- 2240 Construction
- 2250 Automobiles
- 2260 Food Processing

2300 TERTIARY INDUSTRIES

2400

2500 THE HIDDEN ECONOMY & VOLUNTARIS
- 2510 Definitions and Measurement
- 2520 International Comparisons
- 2530 Funding/Donations
- 2540 Definitions of Work

2600 INDUSTRIAL STRUCTURE
- 2610 The Small Business Sector
- 2620 Canadian Multinationals
- 2630 Foreign Ownership
- 2640 Competition
- 2650 Profitability
- 2660 International Comparisons

2700 ECONOMIC ADJUSTMENT & LONG TERM RESTRUCTURING
- 2710 Research & Development
- 2720 Labour-Management Relations
- 2730 Canadian Management
- 2740 Markets
- 2750 Proposals
- 2760 Economic Diversification
- 2770 Leadership Theories & Studies

2800 TECHNOLOGICAL CHANGE
- 2810 Expected Innovations
- 2820 Canadian Attitudes Toward Technological Change
- 2830 Impact of Technology
- 2840 Adjustment/Compensation (for as a Result of Technological Change)

4000 COMMERCE, FINANCE & PUBLIC REVENUE

4100 FINANCIAL INSTITUTIONS
- 4110 Bank of Canada
- 4120 Chartered Banks
- 4130 Trust Companies
- 4140 Investment Houses
- 4150 Stock Market
- 4160 Credit Unions
- 4170 Insurance Companies

4200 BANKING
- 4210 Short Term Business Loans
- 4220 Long Term Business Loans
- 4230 Project Management
- 4240 Foreign Lending
- 4250 Consumer Lending

4300 CAPITAL MARKET
- 4310 Private Business Requirements
- 4320 Equity Market
- 4330 Bond Market
- 4340 Venture Capital
- 4350 Government Requirements

4400 MONETARY ISSUES
- 4410 Exchange Rates
- 4420 Money Supply
- 4430 Interest Rates
- 4440 Inflation
- 4450 Currency Reform

4500 FISCAL POLICY

4600 TAXATION
- 4610 Personal Income Taxation
- 4620 Corporate Income Taxation
- 4630 Interjurisdictional Taxation

4700 FISCAL FEDERALISM

4800 PUBLIC DEBT
- 4810 Government Spending
- 4820 Financial Management & Accountability

5000 GOVERNMENT AND POLITICS

5100 CONSULTATION & POLICY DECISION-MAKING
- 5110 Consultation Process - Criticisms and Suggestions
- 5120 Policy Decision-Making - Criticisms and Suggestions
- 5130 Influence of Non-Governmental Actors

5200 POLITICS: THEORY AND SOCIETY
- 5210 Political and Social Theory
- 5220 Party System
- 5230 Administrative State
- 5240 Federalism
- 5250 Technology & Politics
- 5260 Role of Media

Appendix 1 (continued)

5300 FEDERAL GOVERNMENT
- 5310 Crown Corporations
- 5320 Public Ownership
- 5330 Commissions of Inquiry
- 5340 Government Departments
- 5350 Regulatory Agencies
- 5360 Public Service
- 5370 Auditor-General
- 5380 Federal Legislation

5400 PROVINCIAL AND TERRITORIAL GOVERNMENT
- 5410 Crown Corporations
- 5420 Public Ownership
- 5430 Commissions of Inquiry
- 5440 Government Departments
- 5450 Regulatory Agencies
- 5460 Public Service
- 5470 Municipal Governments
- 5480 Provincial Legislation

5500 INTERGOVERNMENTAL RELATIONS AND REGIONALISM
- 5510 Federal-Provincial Relations
- 5520 Regionalism & Regional Aspirations
  - 5521 British Columbia
  - 5522 Prairies
  - 5523 Mid-Canada Corridor
  - 5524 The North
  - 5525 Ontario
  - 5526 Quebec
  - 5527 The Atlantic Region
- 5530 Decentralization
- 5540 Inter-Provincial Relations
- 5550 Executive Federalism

5600 PARLIAMENT
- 5610 Senate
- 5620 House of Commons
- 5630 Electoral Reform

5700 ROYAL COMMISSION ON ECONOMIC UNION
- 5710 Remarks on Composition
- 5720 Process
- 5730 Proposals for Future Research
- 5740 Proposals for Future Activity
- 5750 Ideas

Appendix 1 (continued)

6000 INTERNATIONAL TRADE & FOREIGN POLICY

6100 TRADE
- 6110 Open Economy Versus Protectionism
- 6120 Statistics
- 6130 International Comparisons
- 6140 International Treates & Agreements
- 6150 Impact of International Trade of Canadian Economy

6200 INTERNATIONAL ORGANIZATION
- 6210 International Economic Organizations
- 6220 Other International Organizations

6300 CANADA-UNITED STATES RELATIONS
- 6310 Trade Relations
- 6320 North American Free Trade
- 6330 Extra-Territoriality
- 6340 Non-Trade Relations

6400 NORTH/SOUTH RELATIONS
- 6410 Impact of Development on Trade - Canadian Prospects
- 6420 Foreign Aid
- 6430 Finance
- 6440 Trade
- 6450 Food and Energy
- 6460 Negotiation Process

6500 FOREIGN INDUSTRIAL AND TRADE POLICIES
- 6510 Industrial Policies of Other Countries
- 6520 Trade Policies of Other Countries
- 6530 Impact on Canada

6600 CANADIAN FOREIGN POLICY
- 6610 Canada's Role in International Affairs
- 6620 Provincial Participation in International Affairs & Foreign Policy Development

6700 CANADIAN TRADE POLICY
- 6710 Tariffs
- 6720 Export Development
- 6730 Subsidies and Countervailing Duties
- 6740 Other Non-Tariff Barriers

Appendix 1 (continued)

6800 DEFENCE
- 6810 Development of Defence
- 6820 Defence Policy and Trade Policy
- 6830 Disarmanent

7000 LAW AND THE CONSTITUTION

7100 LEGAL INSTITUTIONS
- 7110 Supreme Court
- 7120 Courts
- 7130 Labour Relations Boards
- 7140 International Courts and Arbitration
- 7150 Alternative Dispute Settlement
- 7160 Technological Impact on Legal Process and Profession
- 7170 Security Forces, Police & RCMP

7200 CONSTITUTIONAL AND LEGAL THEORY
- 7210 Constitution-Making Process
- 7220 Democratic Theory & Constitutions
- 7230 Constitutions & Federal Theory
- 7240 Economic Theory of Constitutions
- 7250 Legalization, the Litigious Society
- 7260 Law and Social Change

7300 DIVISION OF POWERS
- 7310 Trade & Commerce Clause

7400 CHARTER OF RIGHTS & HUMAN RIGHTS
- 7410 Minority Rights
- 7420 Property Rights
- 7430 Affirmative Action
- 7440 Mobility Rights

7500 CONSTITUTIONAL AMENDMENT
- 7510 Amendment Process
- 7520 Proposed Amendments

7600 ECONOMIC UNION - LEGAL ASPECTS
- 7610 Section 121 of the (BNA) Constitutional Act

7700 LAW AND THE ECONOMY
- 7710 Administrative Law
- 7720 Criminal Law
- 7730 Industrial Property
- 7740 Securities
- 7750 Corporate and Commercial
- 7760 International
- 7770 Labour

8000 CANADIAN SOCIETY, SOCIAL POLICY & CONDITIONS

8100 POPULATION AND ITS IMPLICATIONS
- 8110 Statistics and Projections
- 8120 Urban/Rural
- 8130 Age Structure
- 8140 Immigration

8200 WOMEN, SOCIAL STRUCTURE & THE FAMILY
- 8210 Technological Impact on Social Structure
- 8220 Women
- 8230 Familial Relationships
- 8240 The Elderly
- 8250 Youth/Children
- 8260 The Disabled
- 8270 Poverty

8300 EDUCATION
- 8310 Formal Education (Schools, Univ.)
- 8320 Technological Innovation in Education
- 8330 Jurisdiction and Funding

8400 QUALITY OF LIFE
- 8410 Traditions, Values and Public Attitudes
- 8420 Standard of Living
- 8430 Health and Health Services
- 8440 Housing
- 8450 Community Support Services
- 8460 Culture & Recreation
- 8470 Science and Society

8500 LANGUAGE POLICY AND MINORITIES
- 8510 Multiculturalism
- 8520 Race Relations
- 8530 French & English Minorities

Appendix 1 (continued)

8600 NATIVE PEOPLES
- 8610 Aboriginal Rights
- 8620 Traditional Economy
- 8630 Economic Opportunity

8700 ENVIRONMENT & NATURAL RESOURCES
- 8710 Climate
- 8720 Natural Resources Depletion & Conservation
- 8730 Impact of Human Activity on Environment
- 8740 Conserver Society

8800 ECONOMIC SECURITY
- 8810 Pensions and Pension Reform
- 8820 Income Security
- 8830 Provincial Programmes

Appendix 2 ORGANIZATION TYPES

1. Industry and Commerce
2. Federal Government
3. Provincial and Territorial Governments and Municipalities
4. Labour
5. Voluntary
6. Women
7. Natives
8. Education and Research
9. Individuals

Appendix 3 LIST OF SUBMISSIONS FOCUSING ON MINING*

Number	Author	Organization Type	Pages
2032	Assoc. des Mines de Métaux du Québec Inc.	180	13
0769	Assoc. des Mines de Métaux du Québec Inc.	180	39
1074	BP Selco Inc.	123	26
1023	Cdn. Institute of Mining and Metallurgy	180	2
2008	Communist Party of Canada (British Columbia)	771	11
0918	Cominco Ltd.	123	11
2213	Crossroads Resource Group	830	10
0587	CSN (Chicoutimi)	440	11
0770	CSN (Quebec)	440	15
0277	de Fayer, T.L.	900	60
0108	Government of Yukon	380	75
0021	H.N. Halvorson Consultants Ltd.	170	7
0430	Inco Limited (Thompson)	123	31
0457	Inco Limited (Sudbury)	123	31
0126	International Union of Operating Engineers (115)	420	17
0494	Jewett, G.A., P. Eng.	900	4
0622	Local Government of the District of Lynn Lake	383	6
1004	Lone Rock Resources Ltd.	121	4
2221	Maund, Jacqueline K.	900	132
0107	Mining Association of British Columbia	180	10
0964	Mining Association of Canada	180	20
0305	NWT Chamber of Mines	180	7
0111	Northern Canada Power Commission	240	13
0995	Prospectors and Developers Association	180	23
0402	Regional Municipality of Sudbury	383	28
2227	Regional Municipality of Sudbury	383	10
0590	Saskatchewan Mining Association Inc.	180	8
0302	Sorensen, Lynda, M.L.A.	381	7
0383	Sudbury Federal New Democratic Party	771	15
0374	Syndicat des Travailleurs de la Société Asbestos	440	5
0399	Thompson Industrial Commission	384	24
0819	United Mine Workers of America, District 18	410	10
0633	United Steelworkers of America (Gerard Docquier)	410	28
0004	Ursel, Norman H., P. Eng.	900	4
0943	Wise, Dorothy	900	8
0267	Yukon Chamber of Mines	180	7

Total: 36

* Many other submissions, not included here, dealt with mining indirectly or tangentially.

Appendix 4 BREAKDOWN OF MINING FOCUSED SUBMISSIONS
(by types of submitting organizations)

121	- Oil & Gas Companies	=	1
123	- Mining Industries	=	4
170	- Consultants & Consulting Firms	=	1
180	- Trade Associations	=	9
	Sub total		15
240	- Crown Corporations	=	1
380	- Yukon	=	1
381	- Northwest Territories	=	1
383	- Municipalities	=	3
384	- Regional Economic Development	=	1
	Sub total		6
410	- Canadian Labour Congress (CLC)	=	2
420	- Canadian Federation of Labour (CFL)	=	1
440	- Confederation des Syndicates Nationaux (CSN)		3
	Sub total		6
771	- Political Groups	=	2
830	- Private Research Groups	=	1
900	- Individuals	=	5
	Total		36

THE AUTHOR

David Yudelman was born in South Africa and educated there, at the London School of Economics, and at Yale University, where he received a doctorate. He worked as a financial journalist in South Africa and on Fleet Street, as an investment analyst, and as a lecturer in political studies. Dr. Yudelman published a book on the South African mining industry before taking up his present position as Senior Research Associate at the Centre for Resource Studies in Kingston in 1982.

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